Special Inspector General for Iraq Reconstruction

Quarterly Report to the United States Congress

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In Memoriam

Paul Converse
1951 – 2008

On March 24, 2008, Paul Converse, a SIGIR auditor, died from injuries received during an attack on the International Zone in Baghdad.

During his tenure with SIGIR, Paul made significant contributions to our oversight mission in Iraq. Most recently, he served on the team that produced an excellent audit of the $500 million contract to restore Iraq's electrical system. And Paul played a key role in supporting last quarter's notable review of contractor award fees.

Paul leaves a legacy of outstanding contributions on a wide range of international issues. Before joining SIGIR, he had spent nearly four years in Iraq working for the United Nations and for the U.S. Agency for International Development, including service as an agricultural advisor to provincial reconstruction teams. The theme of Paul's life was a heartfelt commitment to helping others.

We will miss Paul's patient presence among us in Baghdad, his diverse experience in oversight, his diligent and thoughtful analysis of complex issues, and his dedication to doing the right thing. Paul enriched all he touched, and we feel fortunate to have known and worked with him. His memory will live on as we continue to carry out the critical mission in which he so strongly believed.

MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

This 17th Quarterly Report from the Special Inspector General for Iraq Reconstruction (SIGIR) is dedicated to the memory of Paul Converse, a SIGIR auditor who died March 24, 2008, from wounds received during a rocket attack on the International Zone. With Paul's death, SIGIR has suffered its greatest loss. We will always remember his passion for our mission, his compassion for others, and his love for his country. Our hearts go out to his family and friends.

The issuance of this Report marks five years since the first appropriation of funds for Iraq reconstruction. Since 2003, the Congress has provided over $46 billion in aid to Iraq, approximately $10 billion of which remains to be obligated. Section 2 of this Report highlights a variety of the ways these billions in taxpayer dollars have been spent in Iraq over the past five years.

This Report updates the Year of Transfer in Iraq reconstruction, with information and analyses on the transfer of U.S.-provided reconstruction assets to Iraqi control, the transfer of reconstruction funding responsibilities to the Government of Iraq (GOI), and the transfer of security responsibilities to Iraq's Ministries of Defense and Interior. A SIGIR audit released this quarter follows up on SIGIR's July 2007 asset-transfer report, finding that much still needs to be done to ensure that the GOI will maintain and sustain U.S.-provided assets. Section 2 presents data on this year's oil revenue boom in Iraq, which is generating a financial windfall for the GOI and providing abundant resources for new reconstruction programs and projects. Another SIGIR audit presents a comprehensive overview of the programs funded by the Iraq Security Forces Fund; the majority of U.S. funds awaiting obligation are targeted for support to Iraq's security forces.

Section 3 of this Report contains summaries of SIGIR's seven new audits and seven new inspections. The audits include an examination of the $500 million design-build contract awarded to the Perini Corporation. This is the fifth in a series of SIGIR studies looking at large contracts funded by the Iraq Relief and Reconstruction Fund (IRRF). SIGIR's audit team also produced updates this quarter on our continuing reviews of the Dyncorp contract for Iraqi police training and the Embassy's anticorruption capacity-building program. Both reports find that the Department of State made progress on implementing prior SIGIR recommendations.

This quarter, SIGIR's inspections directorate produced assessments examining four projects funded by the Commander's Emergency Response Program (CERP), two funded by the IRRF, and one funded through the Department of State's Bureau of International Narcotics and Law Enforcement Affairs. The most notable inspection is the comprehensive review of the Nassriya Water Treatment Plant, the single largest project funded by the IRRF. When SIGIR's inspectors visited Nassriya, they found the plant operating at just 20% of capacity, because the GOI had failed to provide an adequate power source. The Embassy has created a joint assessment team that has already implemented corrective action on several shortfalls identified by SIGIR's inspection.

SIGIR investigators continue to make progress on 52 open investigations. To date, SIGIR cases have resulted in 14 arrests, 15 indictments, 5 convictions, and more than $17 million in fines, forfeitures, recoveries, and restitution. Five individuals are scheduled for trial in September 2008, while five others await court dates.

The late January enactment of the National Defense Authorization Act of 2008 (NDAA) significantly extended SIGIR's tenure by providing broad additional jurisdiction and more responsibilities. SIGIR's reporting mandate now fully embraces the Iraq Security Forces Fund, the Economic Support Fund, and the Commander's Emergency Response Program. The NDAA further directed SIGIR to develop an audit plan for all necessary reviews covering security and reconstruction in Iraq. SIGIR is consulting with fellow IGs as this new planning process develops.

Submitted April 30, 2008.
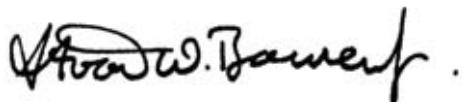
Stuart W. Bowen, Jr.
Special Inspector General for Iraq Reconstruction

SIGIR Summary of Performance
As of April 30, 2008

AUDITS

Reports Issued	115
Recommendations Issued	320
Dollars Saved and Recovered	$57,900,000
Dollars Put to Better Use	$40,000,000
Challenged Payments	$7,560,000

INSPECTIONS

Project Assessments Issued	115
Limited On-site Assessments Issued	96
Aerial Assessments	481

INVESTIGATIONS

Investigations Initiated	346
Investigations Closed or Referred	294
Open Investigations	52
Arrests	14
Indictments	15
Convictions	5
Court-ordered Restitution/Forfeiture	$17,414,000

HOTLINE CONTACTS AS OF MARCH 31, 2008

Fax	16
Telephone	72
Walk-in	110
E-mail	389
Referrals	26
Mail	28
Total Hotline Contacts	**641**

NON-AUDIT PRODUCTS

Congressional Testimony	26
Lessons Learned Reports Issued	3

*The complete version of this SIGIR Quarterly and Semiannual Report is available on the SIGIR website: **www.sigir.mil**. It is the official version of the report, containing all appendices and corrections.

Dahuk

Erbil

Ninewa

Sulaymaniyah

Tameem

Salah al-Din

Diyala

Baghdad

Anbar

Babylon

Wassit

Kerbala

Qadissiya

Missan

Najaf

Thi-Qar

Basrah

Muthanna

SIGIR OBSERVATIONS

SECTION 1

1

Figure 1.1

FIVE YEARS OF U.S. RECONSTRUCTION FUNDING

$ Billions

Source: SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, March 2004–January 2008; USAID, Response to SIGIR Data Call, (4/8/2008); GRD, Response to SIGIR Data Call (4/2/2008); Treasury, Response to SIGIR Data Call (4/3/2008); USTDA, Response to SIGIR Data Call (4/3/2008); DoS Response to SIGIR Data Call (4/5/2007); WHS, Response to SIGIR Data Call, (4/1/2008); DFAS Response to SIGIR Data Call (4/10/2008); DoS, *Iraq Weekly Status* (3/26/2008); ITAO, Response to SIGIR Data Call (1/4/2008); GRD, Response to SIGIR Data Call (4/3/2008); USAID, Response to SIGIR Data Call (4/14/2008); ITAO, *Essential Indicators Report* (3/27/2008); MNC-I, Response to SIGIR Data Call (4/9/2008)
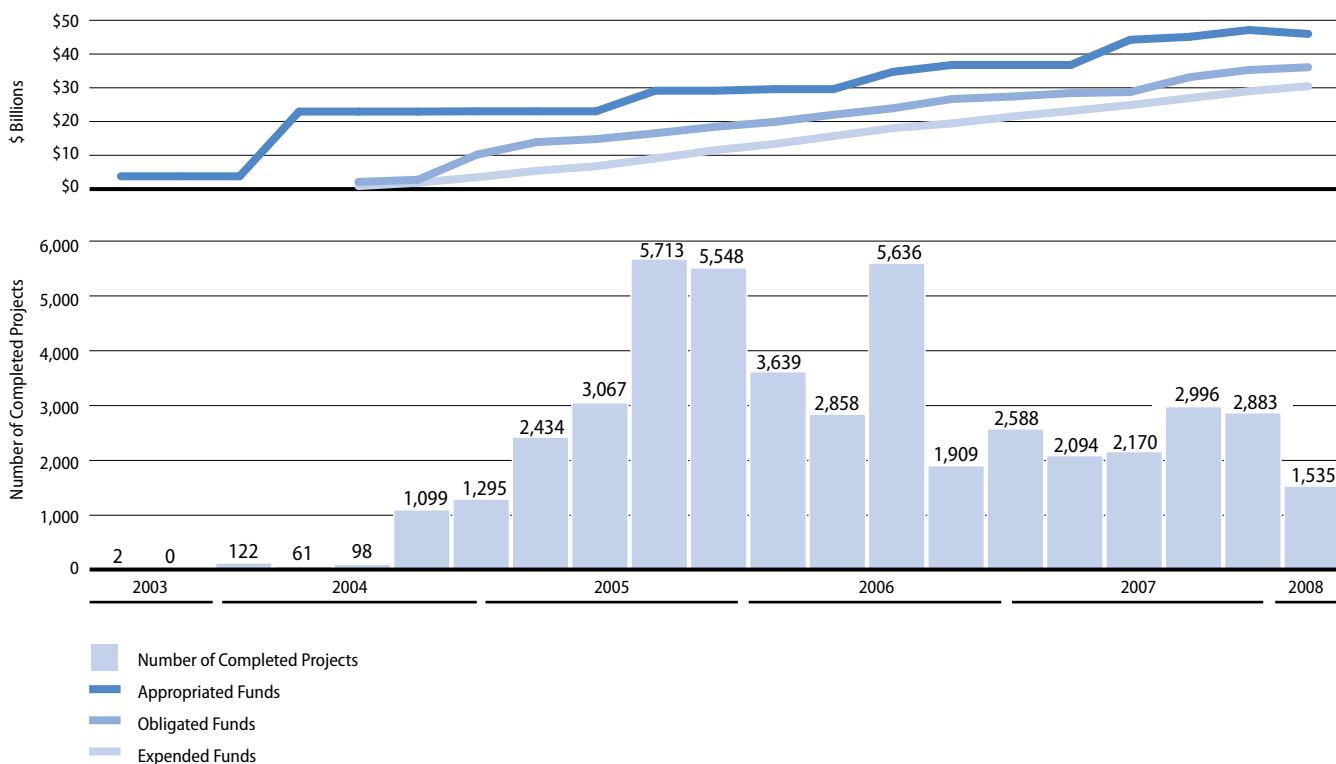
Note: Financial data includes obligations and expenditures from the IRRF 1, IRRF 2, ISFF, ESF, CERP, and INL fund types.
Project data includes projects from the IRRF 2, ISFF, ESF, and CERP.

IRAQ RECONSTRUCTION: FIVE YEARS ON

This 17th Quarterly Report from SIGIR marks almost exactly five years since the Congress passed Public Law 108-11, appropriating $2.48 billion to the Iraq Relief and Reconstruction Fund (IRRF)—the first significant tranche in what now amounts to over $46 billion in U.S. aid for Iraq. Seven months later, in November 2003, the Congress appropriated another $18.44 billion to the IRRF.

Over the past half-decade, this nearly $21 billion fund served as the primary vehicle for U.S. direct investment in Iraq's infrastructure. Other funds have supplemented the IRRF, including the Iraq Security Forces Fund (ISFF, $15.44 billion), the Commander's Emergency Response Program (CERP, $2.66 billion), and the Economic Support Fund (ESF, $3.21 billion).

The U.S. reconstruction effort initially emphasized large-scale infrastructure projects. As the program evolved, an ever-increasing portion of the U.S. investment went into non-construction or "soft programs," supporting democracy and governance, operations and maintenance, training, and equipment. To date, the United States has expended about half of its reconstruction funds on non-construction programs.

Figure 1.1 shows the use of the $46.3 billion that the Congress appropriated for Iraq's relief and reconstruction from 2003 through 2007.

UPDATING THE YEAR OF TRANSFER

Last quarter, SIGIR identified 2008 as the **Year of Transfer** in Iraq reconstruction. This quarter saw some advances on these Year of Transfer benchmarks:

- transferring full responsibility for reconstruction planning, management, and funding to the Government of Iraq (GOI)
- improving the plan for transferring U.S.-funded assets to the GOI
- completing the transfer of provincial security responsibilities to Iraqi control

In early April, General David Petraeus, Commanding General of the Multi-National Force-Iraq, and Ambassador Ryan Crocker, the Chief of Mission in Iraq, testified before several House and Senate committees, reporting progress on many fronts in Iraq, including relief and reconstruction. Their testimony underscored the current reality in Iraq—namely, that the United States no longer is the prime mover in funding or managing relief and reconstruction. The various governments of Iraq—central, regional, and local—are assuming those responsibilities with U.S. advisory assistance.

Notwithstanding this important development, the United States still provides substantial targeted financial support, most notably to

Figure 1.2

FIVE YEARS OF IRAQI SECURITY FUNDING
$ Billions
Source: SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, March 2004–January 2008; MNSTC-I, Response to SIGIR Data Call (4/17/2008); DoS, *Iraq Weekly Status Report* (3/26/2008); ITAO, Response to SIGIR Data Call (1/4/2008); GRD, Response to SIGIR Data Call (4/3/2008); USAID, Response to SIGIR Data Call (4/14/2008); ITAO, *Essential Indicators Report* (3/27/2008); MNC-I, Response to SIGIR Data Call (4/9/2008)

U.S. Security Funding
GOI Security Funding
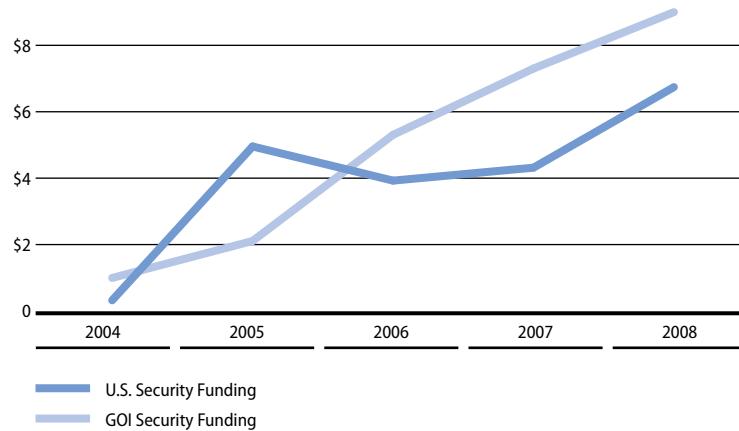
Note: Includes expenditures from the IRRF 2, ISFF, ESF, and CERP. See Appendix D for a sector cross-reference to Security.

Iraq's security sector and to capacity-building programs. Approximately $10 billion in U.S. relief and reconstruction money remains to be obligated, of which 43% is in the ISFF for the support of the Iraqi Security Forces (ISF). The Multi-National Security Transition Command-Iraq (MNSTC-I) manages ISFF programs to help the Ministries of Interior and Defense provide training, facilities, and equipment to the ISF.

TRANSFER OF FUNDING RESPONSIBILITY

In 2003-2004, U.S. contributions comprised more than 50% of the funds used for Iraq's reconstruction—about $23 billion—while $16 billion in Iraqi money was spent for this purpose, coming from the Development Fund for Iraq (DFI), Iraqi budgets, and seized and vested Iraqi funds.

By 2007, the burden for funding reconstruction had shifted to the GOI: Iraq's capital budget last year allocated $10 billion for relief and reconstruction, while the U.S. provided $9 billion in new money, most of which supported the ISF. In Iraq's 2008 budget, the GOI committed more than $13 billion for capital investment. Figure 1.2 shows the U.S. and Iraqi shares of Iraq reconstruction funding.

Iraqi oil income, forecasted in 2003 to be the primary pool of capital for post-war reconstruction, now has become the chief funding source for the country's infrastructure investment program. The oil revenue windfall clearly manifested itself this quarter. Oil income since January 1, 2008, exceeded $18 billion, as outputs and exports maintained post-invasion record levels and the price per barrel reached historic highs.

Since 2003, the cost for a barrel of Iraqi oil—which is lower than the prevailing OPEC rate—increased by 250%.[1] If prices, outputs, and exports continue at current levels, oil revenues for 2008 could reach $70 billion,[2] double what the GOI anticipated.

The rise in Iraq's oil revenues began in 2007 when the GOI collected $41 billion in oil

Figure 1.3

FIVE YEARS OF IRAQI OIL REVENUE

Millions of Barrels per Day (MBPD), Dollars per Barrel, $ Billions
Source: DoS, *Iraq Weekly Status*, (1/5/2006), (1/4/2006), (4/2/2008); ITAO, *Monthly Import, Production and Export Spreadsheet* (April 2008); U.S. Energy Information Administration, "World Crude Oil Prices: OPEC Average," (4/11/2008)

Exports
OPEC Countries Spot Price FOB Weighted by Estimated Export Volume (Dollars per Barrel)
Oil Revenue ($ Billions)
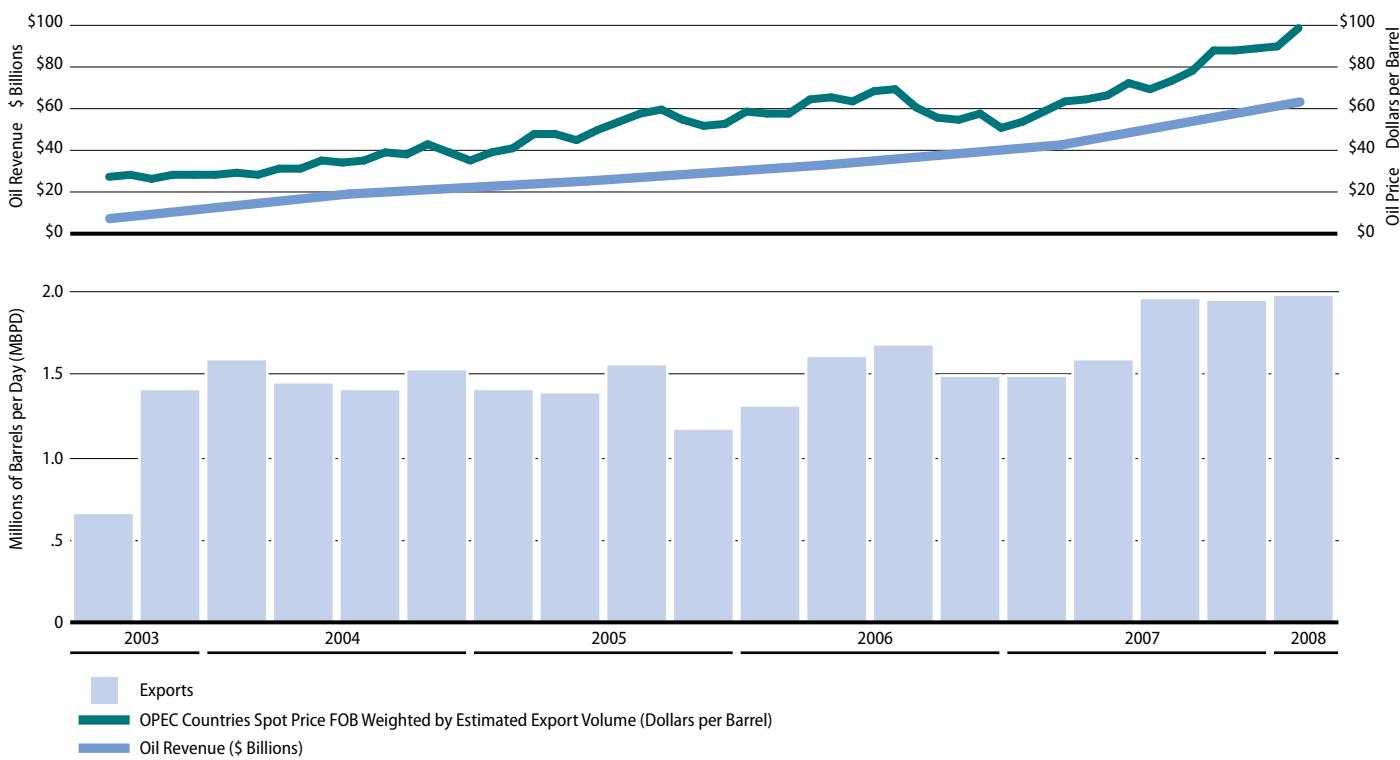
Note: NEA-I, response to SIGIR data call, April 16, 2008, noted that ITAO's oil data for Iraq differs from NEA-I data for production, exports, and refined fuels.
a   Iraq does not receive the OPEC average for its oil. Average price for Iraqi crude oil in 2003 was $25.91 per barrel and $91.66 per barrel in the first quarter of 2008. Source: NEA-I, response to SIGIR data call, April 16, 2008.

revenue, 27% higher than anticipated estimates. Monthly oil income more than doubled during 2007, rising from $2.4 billion in January to $5.3 billion in December.

Figure 1.3 presents a five-year overview of Iraq's oil revenue, production, and exports.

The significant increase in Iraq's 2008 national income underscores the importance of improving the GOI's capacity to execute its budgets, especially its capital budgets. According to the U.S. Embassy in Iraq, the GOI executed 67% of its overall 2007 budget, a significant improvement over 2006, when it executed just 23%.

Iraq's ministries spent their *capital* budgets at a much lower rate last year, expending only

51%, or about $4 billion. Similarly, the provincial governments across Iraq experienced challenges expending capital budgets in 2007, reportedly executing at an average rate of about 31%.

Deputy Prime Minister Barham Salih said this quarter that the GOI will issue a supplemental budget later this year to appropriate the new oil income. This supplemental budget presents an extraordinary opportunity for Iraq to expand its infrastructure investment, but it also heightens concerns about corruption.

Iraq's burgeoning economic situation accentuates how important it is that 2008 truly becomes "The Year of Reconstruction and Anticorruption," as Prime Minister Maliki dubbed it in

January. The Prime Minister's recent comments during trade-talks in Belgium with the European Parliament may have reflected an interesting effect of the oil windfall. "We are a rich country," he said. "We don't need funds; we need technical assistance."[3]

TRANSFER OF RECONSTRUCTION ASSETS

An effective asset-transfer program is essential to securing the long-term viability of the U.S. investment in Iraq. SIGIR audits previously reported that this investment could be vulnerable to waste if the GOI fails to adequately fund the operations and maintenance of U.S.-provided relief and reconstruction projects.

This quarter, SIGIR released its fifth review assessing the process governing the transfer of U.S.-provided assets to Iraqi control. The audit found that the GOI and the United States have yet to agree on a new asset-transfer program, which SIGIR recommended as necessary in a July 2007 audit. Further, SIGIR concluded that the U.S. interagency process for asset transfer needs clearer management accountability measures for the American agencies involved.

NASSRIYA WATER TREATMENT PLANT INSPECTION

SIGIR inspected the largest U.S. reconstruction project (by cost) in Iraq this quarter, the **Nassriya Water Treatment Plant**, which is located about 200 miles south of Baghdad. The assessment report, contained in Section 3, provides a detailed look at the challenges confronting the transfer of significant assets to GOI control.

The water treatment plant is part of the $277 million Nassriya Water Supply project that Fluor/AMEC designed to produce 10,000 cubic meters of potable water per hour for 500,000 Iraqis in five cities. Although the contractor executed a good project, SIGIR found the plant producing at only 20% of capacity because the GOI had failed to install a permanent and reliable power source and had not ensured the presence of an adequate number of qualified staff. Moreover, the plant was providing potable water to just three of the five cities that it is supposed to serve.

These are the primary problems indentified by the inspection:

- The plant has no reliable nor permanent power source.
- The antiquated distribution systems suffer regular breakdowns because they cannot withstand the higher pressure flows engendered by the modern plant.
- There were illegal taps on one of the water transmission lines.
- Plant staff were poorly qualified and unwilling to attend contractor-provided training.

To address these problems, the Embassy's Iraq Transition Assistance Office, the Gulf Region Division (GRD) of the U.S. Army Corps of Engineers, and the Ministry of Municipalities and Public Works have formed a joint technical assessment team to devise potential solutions. Since SIGIR's site visits to the plant, the assessment team has implemented several improvements. For example, the plant is now reportedly producing potable water at about 6,000 cubic meters per hour. Despite this rapid progress, the GOI still

Figure 1.4

IRAQI TROOP TRAINING AND AUTHORIZATIONS
Sources: DoD, *Measuring Security and Stability in Iraq*, July 2005, October 2005, February 2006, May 2006, August 2006, November 2006, March 2007, June 2007, September 2007, December 2007, and March 2008; Testimony of General David H. Petraeus (4/8/2008)

TRANSFER OF SECURITY

Progress on the security front this quarter has been significant but uneven. The U.S. military surge reduced attacks in the areas it targeted, but the security situation remains volatile.[4] Current U.S. security plans call for the withdrawal of the surge brigades by July 2008, after which MNF-I will enter a 45-day "consolidation and evaluation" period.[5] GRD reports that it will monitor the effect of force reductions on reconstruction security.

U.S. training of the ISF continues at a rapid pace: DoD reports that nearly 20,000 troops were trained this quarter, and it estimates that more than 425,000 personnel now serve in the ISF.[6]

A new SIGIR audit underscores the difficulty in obtaining reliable data on the numbers of available, authorized, and trained ISF personnel. SIGIR's review found that:

- The shortage of officers and non-commissioned officers in the ISF remains a significant problem that could take years to remedy.
- More ISF personnel are needed to support the development of a counterinsurgency force that is capable of maintaining internal security.
- The ISF still relies on substantial logistics support from Coalition forces.
- The problems of internal security have shaped training priorities, and thus the force structure necessary to counter external threats requires more development.

Figure 1.4 is an overview of five years of training Iraqi troops.

must find long-term solutions to the problems of inadequate power, broken distribution lines, and poorly qualified staff.

ISF Budget ($ billions)

	2007	2008
United States	$5.54	$3.00
GOI	$7.32	$9.00

Source: MNSTC-I, response to SIGIR data call, April 12, 2008.

Table 1.1

Iraq projects that it will spend $9 billion this year on security and expects to spend $11 billion in 2009. In his April testimony before the Congress, General Petraeus noted that U.S. requests for the ISFF for FY 2009 have subsequently been reduced to $2.8 billion from $5.1 billion in FY 2008.[7] The United States currently is providing 25% of the funding for ISF (down from 43% in 2007).[8] For an overview of support for the ISF budget, see Table 1.1.

This quarter, no new Iraqi provinces transitioned to Provincial Iraqi Control (PIC). The last province to transfer was Basrah, which was turned over in December 2007. During late March and early April, Basrah was the site of significant violence and consequent military operations by the ISF against militia and criminal elements.

THE STATUS OF KEY LEGISLATION

The GOI made legislative progress this quarter, most notably by passing the 2008 national budget and the Provincial Powers Law. The Regions Law also became effective in mid-April. But important legislation remains at an impasse, including the Elections Law and the Hydrocarbon Law.

PROVINCIAL POWERS LAW

The **Provincial Powers Law,** approved in February, includes a provision, inserted from the Elections Law, requiring that provincial, district, and municipal elections take place before October 1, 2008.[9] The law further defines the relationships between local and national governments, including what financial, administrative, and legislative authority devolves to the local level. Notwithstanding the provision of a provincial election deadline, several significant legislative hurdles must be cleared before provincial elections could occur. These include establishing appropriate electoral oversight, developing standards for voter eligibility, and ensuring adequate funding. The pending **Elections Law** embraces many of these matters; it was approved this quarter by the Council of Ministers and forwarded to the Council of Representatives (CoR) for action.[10]

HYDROCARBON LAW

The **Hydrocarbon Law**, which is a package of four pieces of legislation, would reform Iraq's oil industry, define its new regulatory structure, and establish a national revenue distribution system. Progress on this legislative package has been erratic, but there were some indicators of movement in recent weeks. The **Framework Law**, which would provide a new national entity for managing Iraq's oil sector, is now before a CoR committee, and the **Revenue Distribution Law,** which would determine the national distribution process for oil revenue**,** is with the Council of Ministers.

REGIONS LAW

On April 12, Iraq's law governing the formation of regions became effective, ending an 18-month suspension imposed in October 2006. The law permits one or more provinces to form a region, which would be governed by a legislative council possessing significant authority to pass laws that could supersede national legislation. The 2005 Iraqi Constitution provided regional authority to the provinces that comprise Kurdistan. Now, any of Iraq's other provinces can secure those same powers by meeting the legal requisites for regionalization, which include an affirmative plebiscite in favor of forming a region, electing a legislative council, and approval by the CoR. Several political leaders in Basrah have expressed interest in forming a Shia region in the south.

FIGHTING CORRUPTION

A new SIGIR audit released this quarter found that the Department of State (DoS) and the U.S. Embassy in Iraq are taking important steps toward implementing a new anticorruption management plan to support Iraq's efforts to fight corruption. On March 11, 2008, the DoS appointed an ambassador-level official as the new Coordinator for Anticorruption Initiatives in Iraq.

The Embassy drafted a preliminary Anticorruption Strategy Framework and completed an initial inventory of all U.S.-funded anticorruption programs, both of which actions addressed outstanding SIGIR recommendations. SIGIR will continue to report on this important issue over the coming quarters.

IRAQ RECONSTRUCTION UPDATE

SIGIR produced its fifth focused contract review this quarter, auditing the $500 million contract awarded to the Perini Corporation for electrical work in Iraq. The contract comprised 11 task orders, and $123 million was expended on them. Five task orders were completed, but several of these were significantly descoped: that is, they achieved much less than originally expected.

The United States terminated another five because Perini's costs were too high or project delays were too long. One task order paid for Perini's overhead, which SIGIR found to be notably high. A series of smaller direct contracts with local and regional contractors completed much of the work originally planned under this large design-build contract.

SIGIR issued an update this quarter on its continuing review of the Dyncorp contract for police training, which is overseen by the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL). SIGIR found that INL has made progress in implementing previous audit recommendations, including executing plans to recover contested costs, developing complete contract files, and reconciling invoices. INL continues to take steps to recompete the Dyncorp contract, which should occur in 2009.

SIGIR carried out a review this quarter of terminated contracts and task orders, finding that the U.S. government has terminated 855 contracts and task orders, either for default or for convenience, during the course of the Iraq reconstruction program. The government sometimes significantly modifies contracts and task orders that incur problems by reducing the required scope of work. These descoping actions could amount to constructive terminations because the contractor did not complete the originally anticipated work. Thus, the number of *de facto* contract terminations may be much higher. SIGIR will expand this review next quarter to look at termination decisions in more detail, examining the percentage of work completed before termination and the costs related to decisions to terminate. See Section 3 for details on this quarter's audits.

SIGIR UPDATES

SIGIR OBSERVATIONS: FIVE YEARS ON

Since SIGIR's inception, Section 1 of SIGIR's Quarterly Reports has sought to provide helpful observations on the most salient issues confronting the Iraq program, including:

1. The absence of an effective interagency database on Iraq reconstruction project and contract data, which prompted the creation of the Iraq Reconstruction Management System (April 2005).

2. The need to ensure that Iraq's government is prepared to operate and maintain—and thus sustain—U.S.-provided projects (July 2005).

3. The corruption within the Government of Iraq, which amounts to a "second insurgency" (October 2005).

4. The various factors that caused the "reconstruction gap" within the U.S. program—the difference between what was planned and what was built (October 2005).

5. The impact of weak infrastructure security on electricity and oil outputs and the need to develop better protection for infrastructure nodes (April 2006).

6. The requirement for agencies to coordinate better on capacity-building programs, which are essential to the effective transition of governance responsibilities to Iraq (July 2006).

7. The interagency challenges impeding the implementation of the Provincial Reconstruction Team program (April 2007).

8. The need for an effective bilateral agreement to ensure the proper transfer of U.S.-funded assets to Iraqi control (July 2007).

9. The varied consequences induced by the significant expansion of the Commander's Emergency Response Program (January 2008).

10. The pending impact of the 2008 Iraqi oil revenue windfall (January 2008).

SIGIR'S EXPANDED MANDATE

The enactment of the FY 2008 National Defense Authorization Act (NDAA) in late January gave SIGIR new responsibilities, including expanded oversight of funds in the ISFF, ESF, and CERP. Section 842 of the act also directs SIGIR to produce, in consultation with relevant inspectors general, a comprehensive audit plan for federal agency contracts, subcontracts, and task and delivery orders for the performance of security and reconstruction functions in Iraq. Section 3 addresses these matters in more detail.

SIGIR, in coordination with the DoS Office of Inspector General, continues to pursue a joint audit of the Blackwater Security Company's contract to provide certain personal protective services in Iraq.

LOOKING AHEAD

In 2008, SIGIR will continue to follow developments in the Year of Transfer, with a special focus on the following:

- the effect of the oil windfall on Iraq's budget

priorities, focusing on the GOI efforts to execute its capital budgets for relief and reconstruction programs

- the progress made by MNSTC-I to stand up Iraq's Army and the Iraqi Police Service, with a particular focus on security provided to provinces with active Provincial Reconstruction Teams

- the effects of the new Regions Law, particularly the potential formation of a new region in the south and how this would reshape Iraq's reconstruction planning

- the progress on a new U.S.-Iraq agreement on the transfer of U.S.-funded assets to Iraqi control

LESSONS LEARNED

SIGIR is working on its fourth and final Lessons Learned Report, which will present a detailed examination of the planning and execution of the U.S. relief and reconstruction program and will provide lessons learned and recommendations for reform. This lessons-learned report, like the previous three, helps SIGIR meet its legislative mandate to provide recommendations on improving the effectiveness and efficiency of the reconstruction program.

THE HUMAN TOLL

Overall levels of violence continued to decline this quarter; but in late March, attacks spiked again in certain areas, particularly in the International Zone. U.S. military officials overseeing security in Baghdad report that almost 600 mortars and rockets were fired—most of them toward the International Zone—from March 23 to April 12.[11] GRD reported significant increases in attacks and hostile incidents on reconstruction projects, especially in central and southern Iraq.

- Since 2003, 1,181 death claims for civilian contractors have been filed with the Department of Labor. This quarter, the Department reported 58 new death claims.

- DoS reports that 17 U.S. civilians died in Iraq this quarter. Since the beginning of the U.S. reconstruction effort, 258 U.S. civilians have died in Iraq.

- According to the Committee to Protect Journalists,[12] 127 journalists and 50 media support workers have been killed in Iraq since hostilities began in March 2003. This quarter, two journalists were killed in Iraq.

SUSTAINING IRAQ'S RECONSTRUCTION

SECTION 2

2

OVERVIEW

This section updates reporting on the support provided by three key stakeholder groups for Iraq's relief and reconstruction. As of March 31, 2008, the amounts contributed for the reconstruction program totaled $112.52 billion, including $46.3 billion in U.S. appropriated funds,[13] $50.33 billion in Iraqi funds, and $15.89 billion in international support. For an overview of the sources of these funds, see Figure 2.5.

This report marks five years since the Congress appropriated the initial funding for the relief and reconstruction of Iraq. Thus, throughout this section, SIGIR provides snapshots of progress achieved by the program over the last half-decade.

THE UNITED STATES ($46.3 BILLION)

The Congress appropriated U.S. funding for Iraq's relief and reconstruction to 4 major funds and 27 smaller accounts.

Section 2a, entitled *U.S. Support for Iraq's Relief and Reconstruction*, contains a review of reconstruction appropriations by fund source and summarizes the use of U.S. tax dollars in Iraq from the first appropriation—approved five years ago—through March 31, 2008.

Section 2 is broken down into these areas:

- **Reconstruction Management**: reviews the U.S. reconstruction program, including insights into lessons learned.
- **U.S. Funding Streams**: provides an overview of U.S. appropriations for the assistance, relief,

and reconstruction of Iraq.

- **Iraq Relief and Reconstruction Fund (IRRF)**: entails projects funded with $20.91 billion, comprising IRRF 1 ($2.48 billion) and IRRF 2 ($18.44 billion).
- **Iraq Security Forces Fund (ISFF)**: reviews support for training and equipping Iraqi Security Forces (ISF) with appropriations totaling $15.44 billion that are managed by the Multi-National Security Transition Command-Iraq (MNSTC-I).
- **Economic Support Fund (ESF)**: reviews funds managed by the Department of State (DoS), with annual appropriations for Iraq's relief and reconstruction totaling $3.21 billion.
- **Commander's Emergency Response Program (CERP)**: examines the rapid-response funding mechanism for military commanders, with appropriations of $2.66 billion.
- **Bureau of International Narcotics and Law Enforcement Affairs (INL) Funding**: reviews the $281 million appropriated to support rule-of-law programs that are managed by DoS.

Appendix C cross-references budget terms associated with the IRRF, ISFF, ESF, CERP, INL, and international support for Iraq reconstruction. IRRF sectors have been defined differently by the U.S. Army Corps of Engineers, Gulf Region Division (GRD); DoS; Public Law (P.L.) 108-106; and SIGIR. Appendix D provides a cross-reference of this terminology. Appendices E and F provide more comprehensive information about the

Figure 2.5

SOURCES OF IRAQ RECONSTRUCTION FUNDING—$112.52 BILLION
$ Billions

TOTAL RECONSTRUCTION FUNDING $112.52

INTERNATIONAL DONOR PLEDGES $15.89

IRAQI FUNDS $50.33

U.S. APPROPRIATED FUNDS $46.30[d,e]

IRAQI FUNDS $50.33[a,b,c]

Iraq Capital Budget 2003 - 2008 $38.35[c]

Seized **$0.93**
Vested **$1.72**
DFI Transition Sub-account **$2.33**[a]
DFI **$7.0**[b]
DFI Under CPA $9.33

U.S. APPROPRIATED FUNDS $46.30[d,e]

IRRF **$20.91**
CERP **$2.66**
ESF **$3.21**
Other **$4.07**[e]
ISFF **$15.44**
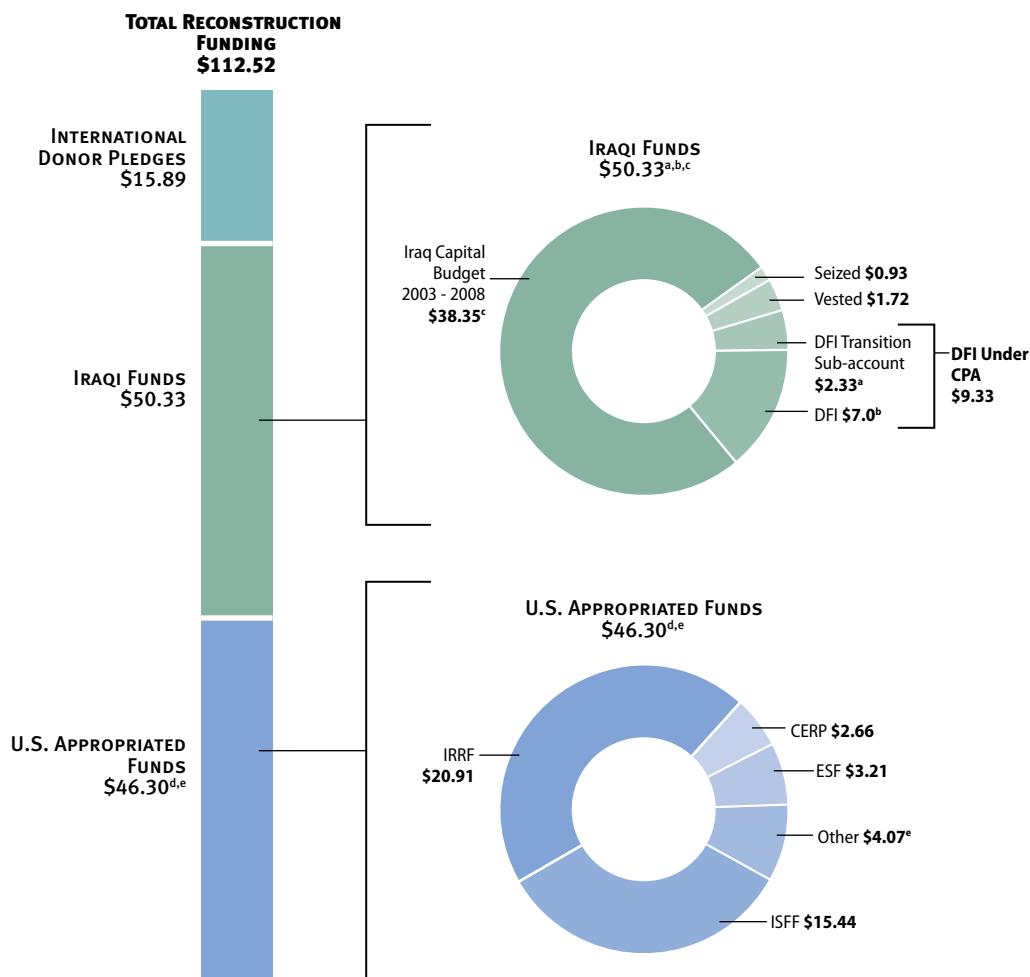
Note: Numbers are affected by rounding.
[a] Includes August 11, 2004 transfer of $86 million cash from the Central Bank of Iraq for CERP at the authorization of the Ministry of Finance.
[b] In previous Quarterly Reports, SIGIR reported approximately $20 billion in DFI cumulative deposits to fund Iraqi government operations and reconstruction programs. SIGIR has refined that number to reflect only reconstruction funding, which is approximately $7 billion, according to GAO Report 05-876 (July 28, 2005, p. 2).
[c] For a breakdown of Iraqi capital budget expenditures, CY 2003-2008, see the *Governance and Capacity Development* section in this Report.
[d] For the description of projects and programs funded by U.S. appropriations, see the endnote referenced in the first paragraph of this overview.
[e] May include humanitarian aid or other types of assistance.

sources of U.S. appropriated funding, including IRRF apportionments, a historical perspective of relief and reconstruction accounts, and obligated and expended funding activities.

IRAQ ($50.33 BILLION)

Section 2b, entitled *Developments in Iraq*, focuses on Iraqi initiatives and summarizes progress in key U.S. programs and projects supporting Iraq's development. The review includes information on:

- **Security**: updating the transfer of security responsibilities to Iraqi and the status of capacity-building programs in the sector.
- **Iraq's Economy**: reviewing key economic indicators and progress in developing Iraq's infrastructure to improve service delivery.
- **Governance and Capacity Development**: summarizing Iraq's governance and anticorruption activities, and U.S. support for capacity development.

As of March 31, 2008, the Government of Iraq (GOI) had provided $50.33 billion for the reconstruction effort. Its nascent capacity to execute budgets, particularly for capital programs, has limited the success of GOI reconstruction efforts over the past five years.

SIGIR reports on four main Iraqi funding sources:

- vested funds amounting to $1.72 billion
- funds seized by the Coalition forces amounting to $.93 billion

- Development Fund for Iraq (DFI) assets of $9.33 billion, drawn primarily from oil proceeds and repatriated funds
- GOI capital budget funding of $38.35 billion from 2003 to 2008, from Iraq's oil revenues. See the *Governance and Capacity Development* section in this Report for a listing of Iraqi capital budgets for reconstruction over the past five years.

For an accounting of seized, vested, and the DFI, see Appendix G, *Iraqi Funds Obligated for Reconstruction Activity by CPA*.

INTERNATIONAL DONORS ($15.89 BILLION)

The success of the Iraq reconstruction program requires continuing assistance from the international community. The *International Compact with Iraq* (Compact)—a five-year plan to achieve stability, sound governance, and economic recovery in Iraq—is now the primary mechanism for coordinating international support. Currently, the total amount of donor support pledged is $15.89 billion.

Appendix M of this Report, entitled *International Relief and Support for Iraq*, discusses donor contributions and efforts. SIGIR updates the status of the Compact; progress on debt relief and programs of the World Bank, United Nations, and International Monetary Fund; and grants and loans from international donors. For Appendix M, see the SIGIR website: www.sigir.mil.

U.S. SUPPORT
FOR IRAQ'S RELIEF AND RECONSTRUCTION
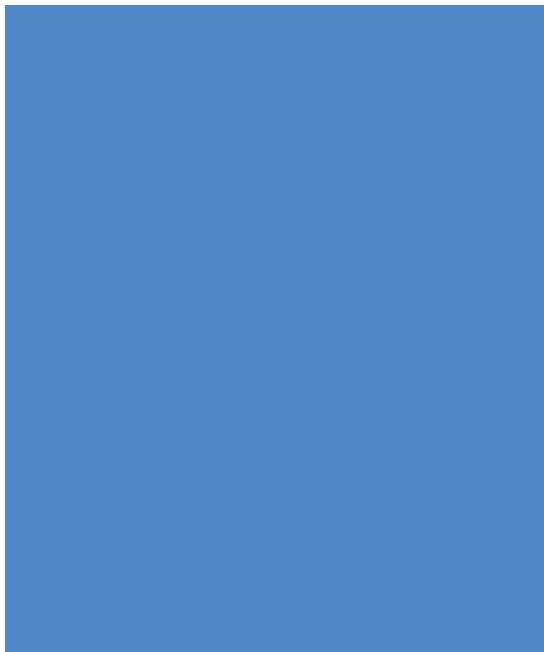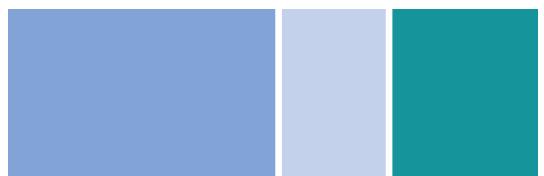
RECONSTRUCTION MANAGEMENT

The U.S. relief and reconstruction program in Iraq is funded by appropriations made available for the building of physical infrastructure, the establishment of political and societal institutions, and for products and services to benefit the people of Iraq.[14] As of March 31, 2008, funds appropriated for the U.S. relief and reconstruction program in Iraq totaled $46.3 billion.

Although the IRRF 1 and IRRF 2 are almost entirely obligated and expended, other U.S. assistance is funded by these primary accounts: the Economic Support Fund (ESF), the Commander's Emergency Response Program (CERP), and the Iraq Security Forces Fund (ISFF).

Basrah Children's Hospital.

FIVE YEARS OF RECONSTRUCTION

During the past five years, management of the U.S. program evolved from a U.S.-led process focused at the national level to a more collaborative U.S.-Iraqi process at the provincial level. The U.S. Ambassador to Iraq testified this quarter that "the era of U.S. major infrastructure projects is over."[15] His words acknowledge the reality that the reconstruction effort has shifted from a large-scale U.S.-driven hard construction program to a targeted assistance model that supports capacity development and local projects and programs. U.S. appropriations continue, however, to support some brick-and-mortar construction, particularly in the security sector.

The five largest U.S. reconstruction projects by dollar value, as identified in the Iraq Reconstruction Management System (IRMS) and supported by Gulf Region Division (GRD) and USAID data, are listed in Table 2.2. For the top five contractors, by contract award amount, see Table 2.3.

Basrah Children's Hospital—Main and ancillary hospital buildings. March 2008.

TOP FIVE U.S. CONSTRUCTION PROJECTS

PROJECT	SECTOR	LOCATION	FUND	TOTAL COST ($ MILLIONS)	REPORTED OUTCOMES	% COMPLETE
Nassriya Water Supply Project[a]	Water	Thi-Qar	IRRF 2	$276.73	Provides potable water to 550,000 people	100% 9/11/2007
Kirkuk Substation Combustion Turbines	Electricity	Tameem	IRRF 1	$205.16	Installation of two new gas combustion turbines, a 65-MW unit and a 260-MW unit	100% 11/29/2005
Erbil City-Ifraz Water Supply Project	Water	Erbil	IRRF 2	$183.40	Provides potable water to 333,000 people	100% 7/20/2006
Basrah Children's Hospital[b]	Health Care	Basrah	Multiple	$163.60	Will be a state-of-the-art acute and referral care hospital with a focus on pediatric oncology	85%
Qudas Expansion	Electricity	Baghdad	IRRF 2	$162.73	Will add enough power to serve between 180,000 and 235,000 homes	73%

Sources: IRMS, *ITAO Rollup,* March 28, 2008; GRD, responses to SIGIR data call, March 17, 2008, and April 5, 2008; USAID OIG Report No. E-267-05-003-P, "Audit of USAID/Iraq's Electrical Power Sector Activities," June 29, 2005; USAID, *Activities Report,* April 14, 2008.

Note: This table reflects data available at the time of publication, which includes data from multiple sources and reflects the best estimate of costs and results based on reporting provided to SIGIR.
[a] The Iraq Reconstruction Management System lists the Nassriya Drainage Pump Station Project with a cost of more than $81.9 million. GRD reported a cost of $93.9 million for the project. Two other projects exceed the amount listed in IRMS.
[b] The Basrah Children's Hospital has received funding from multiple sources, which include the IRRF, CERP, CHS, UNDP, and other sources.

TABLE 2.2

TOP FIVE CONTRACTORS ($ MILLIONS)

FUND TYPE	CONTRACTOR	OBLIGATED	EXPENDED
INL[a]	DynCorp	$1,424	$1,255
IRRF	Bechtel National, Inc.	$1,214	$1,177
IRRF & ISFF	Environmental Chemical Corporation	$1,025	$900
IRRF	FluorAMEC, LLC	$941	$934
IRRF & ISFF	AECOM, Government Services, Inc.	$705	$422

Source: Corps of Engineers Financial Management System, April 4, 2008; USAID, *Activities Report,* April 14, 2008; INL, response to SIGIR data call, April 8, 2008.

[a] The DoS Bureau of International Narcotic and Law Enforcement Affairs (INL) is not a fund. Funding for this contractor came from direct appropriations and other transfers to INL.

TABLE 2.3

RECONSTRUCTION OVERSIGHT: FIVE YEARS OF EVOLUTION

In April 2003, the U.S. expected Iraq to assume complete sovereignty within 12 to 18 months, to include full responsibility for relief and reconstruction efforts, funded primarily by Iraqi oil revenues.[16] That expectation was supplanted by a large-scale relief and reconstruction program for which the United States appropriated more than $46 billion. Three organizations have overseen the strategic management of these funds. For a timeline of the management and funding of the U.S. reconstruction program, see Table 2.4.

According to the Office of Management and

FIVE YEARS OF MANAGING AND FUNDING THE RECONSTRUCTION PROGRAM

JANUARY 2003 – APRIL 2003	
OFFICE OF RECONSTRUCTION AND HUMANITARIAN ASSISTANCE (ORHA) **Civilian component:** ORHA had oversight of the early humanitarian and disaster recovery plans and activities for short-term relief. **Military component:** The Coalition Forces Land Component Command (CFLCC) was established under U.S. Army Forces Central Command, in March 2003.	**U.S. FUNDING:** **IRRF 1** — $2.475 billion: First major congressional appropriation focused efforts on rebuilding 12 areas of the Iraqi economy and infrastructure. **ESF** — $50 million: First two appropriations to the ESF for use in Iraq, providing bilateral funding for Iraqi economic, democracy, and capacity-development programs.
APRIL 2003 – JULY 2004	
COALITION PROVISIONAL AUTHORITY (CPA) **Civilian component:** The CPA assumed responsibility for the major reconstruction program. **Military component:** CFLCC was replaced by the Combined Joint Task Force-7 in June 2003, and in May 2004, the Multi-National Force-Iraq (MNF-I) took over responsibility for security operations in Iraq.	**U.S. FUNDING:** **IRRF 2** — $18.439 billion: Largest single appropriation to date, focusing on large-scale reconstruction projects to address critical infrastructure needs in Iraq's core sectors. **CERP** — In June 2003, Combined Joint Task Force-7 ordered the CERP into operation with seized Iraqi funds, addressing humanitarian needs through small-scale projects.
JULY 2004 – PRESENT	
U.S. EMBASSY-IRAQ **Civilian component:** The U.S. Embassy became the authority for direction, coordination, and supervision of all U.S. government employees, policies, and activities in Iraq. The U.S. Agency for International Development (USAID); U.S. Army Corps of Engineers, Gulf Region Division (GRD); and other U.S. agencies are tasked with executing the projects in the reconstruction program. **Military component:** U.S. security and military operations in Iraq continue under the authority of the U.S. Central Command (CENTCOM).	**U.S. FUNDING:** **ISFF** — $15.440 billion: A series of U.S. appropriations specifically for the development of Iraq's security apparatuses. Funding for the ISFF increased as brick-and-mortar projects gave way to an emphasis on non-construction activities to support the Iraqi military troops and civilian security forces. The ISFF is now the second-largest funding stream for U.S. reconstruction, and most allocations provide training, equipment, and other support for the ISF. **ESF** — $3.161 billion: With no ESF funds requested in FY 2004 and FY 2005, substantial appropriations were added in FY 2006 and FY 2007. The PRT program, funded primarily by the ESF, emerged as a significant component in developing provincial and local governments, as well as supporting key economic and infrastructure development initiatives. **CERP** — $2.661 billion: A series of U.S. appropriations to the CERP account have been an important source for providing military commanders the resources to address needs at the local and provincial levels. Although Iraqi assets provided early funding to the program, the United States began appropriating funds in 2004. Since then, the Congress has appropriated additional CERP dollars in every supplemental and DoD appropriation.

Sources: SIGIR, *Iraq Reconstruction: Lessons Learned in Program and Project Management*, March 2007; U.S. Army, "A Brief History of V Corps, 1918 – 2006," September 1, 2006. For the sources of U.S. funding, see *U.S. Funding Streams* in this Report.

TABLE 2.4

Corner view of the Basrah Children's Hospital. March 2008.

Budget (OMB), total appropriations for U.S. government assistance programs have decreased every year since 2003.[17] In 2008, with oil prices and Iraq's oil revenue at post-invasion highs, Iraq is now funding most relief and reconstruction activities.

The U.S. program will continue extensive capacity-building efforts within the GOI to promote the asset-transfer and sustainment process, which are essential elements to further progress in Iraq. There are currently 238 U.S. employees working within the various Iraqi ministries, not including security ministries.[18]

In keeping with the continual evolution of the U.S. program, GRD announced several organizational changes in its Programs Directorate this quarter:[19]

- The Oil and Electrical sectors were combined into a new **Energy Division.** A technical and ministerial consultation mission will continue to support the Ministry of Electricity, while GRD will retain its role in closing out projects.

- A new **Reconstruction Division** was formed from two sectors: Facilities and Water. This division will focus on executing continuing programs in support of the U.S. Embassy, its senior consultants, and ITAO for all U.S. reconstruction activities in Iraq other than energy sector projects. The division will provide technical and ministerial consultation for the Ministries of Construction and Housing, Municipalities and Public Works, Water Resources, and the Baghdad Amanat.

- A new **Military Programs Division** will support the Iraqi Security Forces, working to establish disciplined business processes and practices and to improve engineering and construction capacities.

In addition to these three divisions, the Program Support and Integration Division of GRD will provide assistance to all engineering and construction projects in Iraq.

FIVE YEARS OF OVERSIGHT

A number of U.S. oversight agencies continue to work to ensure that U.S. appropriations in Iraq are used efficiently and effectively. These include SIGIR and the Offices of the Inspectors General of the Department of Defense (DoD OIG), Department of State (DoS OIG), U.S. Agency for International Development (USAID OIG), the Government Accountability Office (GAO), the Defense Contract Auditing Agency (DCAA), and the U.S. Army Audit Agency (USAAA).

To date, oversight agencies have produced 325 audits of the Iraq reconstruction program.[20] For the growth of oversight work on Iraq since 2003, see Figure 2.1.

AUDITS

As of April 30, 2008, SIGIR had issued 115 audit reports of U.S. reconstruction programs and projects. This quarter, SIGIR completed its fifth audit in a series of focused large contract reviews assessing program management and oversight, including reviewing vulnerabilities to fraud, waste, and abuse. SIGIR reviewed the Perini Corporation's work awarded in 2004 to construct electrical distribution and transmission facilities in southern Iraq.

Figure 2.1

FIVE YEARS OF RECONSTRUCTION OVERSIGHT — AUDITS
Source: Multiple sources; see Appendix K.
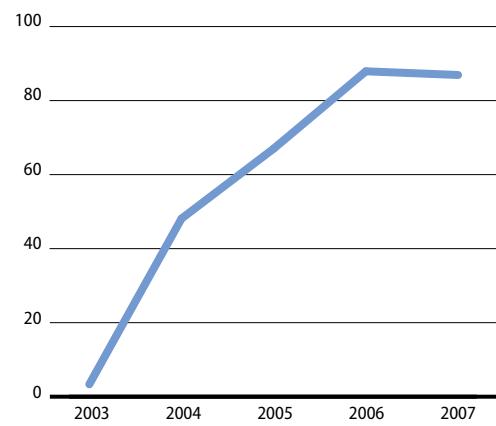
Note: To date, SIGIR has received reporting for 32 audits published in 2008.

The audit found that, of the contract's 10 task orders, Perini completed 5 (although some were significantly descoped), and 5 were terminated for the convenience of the government. The terminations occurred because Perini's proposed costs were too high or project delays were too long.[21] The United States paid almost $123 million on the contract and authorized approximately $8 million in award fees. For highlights of five top SIGIR audits, see Table 2.5.

RECONSTRUCTION MANAGEMENT

Top Five SIGIR Audits

Product Name	Background	Observations
Oversight of Funds Provided to Iraqi Ministries through the National Budget Process SIGIR Audit 05-005, January 30, 2005	• CPA was the authority responsible for temporary governance of Iraq through June 28, 2004. • CPA was responsible for oversight of the Development Fund for Iraq (DFI), which funded Iraqi government ministries through the national budget process.	• CPA provided less than adequate controls for approximately $8.8 billion in DFI funds provided to the Iraqi ministries through the budget process. • CPA did not establish or implement sufficient managerial, financial, or contractual controls to ensure DFI funds were used in a transparent manner. • There was no assurance the funds were used for the purposes mandated by Resolution 1483.
Management of the Primary Healthcare Centers Construction Projects SIGIR Audit 06-011, April 29, 2006	• Contract awarded to Parsons Delaware, Inc., on March 25, 2004. • Three task orders contracted for the construction of 150 PHCs throughout Iraq; total definitized cost of the construction was more than $103 million. • Additional task orders included nearly $70 million for the purchase and installation of medical and dental equipment for each center and a task order to cover indirect costs. • Combined definitized cost associated with the 150 PHCs was $243 million.	• As of March 6, 2006, approximately $186 million was spent on the PHC project, over a two-year period, with little progress made. • Of the original 150 planned centers, 8 were descoped, and 1 was placed under another contract vehicle, 135 were just partially constructed (with 121 subsequently "terminated for convenience"), and only 6 were accepted as completed by GRD. • Contractor performance and U.S. government management actions were both factors in the failure to complete the PHC project as planned. • Although the projects could have been better managed between March 2004 and July 2005, there was a strong commitment among the Iraqi and U.S. governments to complete the remaining partially completed centers.
USAID's Management of the Basrah Children's Hospital SIGIR Audit 06-026, July 31, 2006	• In August 2004, USAID awarded a contract to Bechtel National, Inc., to build a pediatric hospital. • Ceiling price of the contract was estimated originally at $50 million. Early decisions to increase the size of the facility, design flaws, contract delays, poor construction, and site security increased the price to between $149.5 million and $169.5 million.	• USAID's accounting systems and management were inadequate and failed to identify either construction progress or accurate contract costs. • USAID stopped reporting indirect costs that may have totaled $48 million. • Only one contracting officer, one administrative contracting officer, and one cognizant technical officer were overseeing $1.4 billion in contracts (including the hospital) at the time of the audit.
U.S. Government Anticorruption Efforts in Iraq SIGIR Audit 07-007, July 24, 2007	• During 2005, SIGIR and the U.S. Embassy discussed approaches for addressing corruption in Iraq, culminating in an anticorruption summit on November 12, 2005. • The summit rejuvenated the Anticorruption Working Group, which was previously inactive.	• Analysis showed effort; however, several challenges impeded progress in implementing a coherent anticorruption program. • The absence of a program manager with the authority and support to coordinate the effort posed a significant challenge. • There was no comprehensive, integrated plan with metrics tying the programs to the U.S. Embassy's strategy. • Instances of progress included the formation of the Office of Accountability and Transparency, which works to strengthen the Iraqi anticorruption institutions.
Effectiveness of the Provincial Reconstruction Team Program in Iraq SIGIR Audit 07-015, October 18, 2007	• The PRT program was established as an integrated civil-military initiative run jointly by DoS and DoD. • 25 PRTs and ePRTs are operating in Iraq.	• The PRT program was making incremental progress in developing the nation's provincial and local government capacity to effectively govern and manage its own reconstruction. • Iraq's complex and overlapping sectarian, political, and ethnic conflicts—as well as the ongoing security challenges—continue to hinder progress in promoting economic development, rule of law, and political reconciliation. • SIGIR recommended that the U.S. Ambassador and the Commanding General, MNF-I, jointly establish a comprehensive plan for the PRTs, with clearly defined performance measures and guidance to synchronize CERP funds to support the U.S. capacity-development mission.

Table 2.5

Al Basrah Oil Terminal (ABOT).

INSPECTIONS

As of April 30, 2008, SIGIR had published 115 inspection reports since inception (90 construction and 25 sustainment assessments).[22] Overall, SIGIR's inspections have found that the deficiencies noted for inspected projects were largely the result of insufficient government oversight and inadequate contractor performance.[23]

This quarter, SIGIR inspected seven U.S.-funded projects, including a detailed review of the Nassriya Water Treatment Plant, the most expensive IRRF project built in Iraq. For the five top SIGIR inspections, see Table 2.6.

INVESTIGATIONS

As of March 11, 2008, SIGIR's investigative work had produced 15 indictments, 14 arrests, and 5 convictions.[24] The most notable investigation is the Bloom-Stein case. Contractor Philip Bloom and CPA Comptroller and Funding Officer Robert Stein pled guilty to participating in a scheme

to defraud the CPA of more than $8.6 million. Stein admitted to stealing $2 million and accepting bribes to award contracts to Bloom. Several contracting parties were indicted in the investigation.[25]

This quarter, a federal grand jury indicted David Ricardo Ramirez in San Antonio, Texas, on charges of smuggling bulk amounts of cash and structuring bank transactions to avoid cash-reporting requirements involving more than $150,000. He allegedly spent the money on various property and vehicles. From November 2006 to November 2007, Ramirez worked as a contractor for Readiness Management Support at Balad Air Base, in Iraq; the indictment alleges that the cash was transferred from Balad, Iraq, to San Antonio, Texas, during this same time period. For a summary of this important case and examples of other SIGIR investigative work, see Table 2.7.

TOP FIVE SIGIR INSPECTIONS

INSPECTION	BACKGROUND	OBSERVATIONS
Al Fatah River Pipeline Crossing SIGIR SA-05-001, January 27, 2006	• On March 8, 2003, the USACE Fort Worth District Contracting Division awarded a non-competitive, cost-plus award-fee contract to KBR for the repair and continuity of operation of the Iraqi oil infrastructure. • Delivery Order 6 was awarded to KBR on December 8, 2003, for nearly $222 million to accomplish: — Pipeline crossing of the Tigris River via Horizontal Directional Drilling (HDD) under the river. — Replacement of a 50-kilometer section of pipeline connecting the Al Fatah crossing to 50 kilometers of new replacement pipeline completed by Iraq before the war. — Generators to stabilize power for the oil fields and refineries.	• The $75.7 million allocated to the project was exhausted, and only 28% of the drilling scope was completed. The HDD project was discontinued in August 2004 and replaced with a contract awarded to Parsons Iraqi Joint Venture, at a cost of $29.7 million, which SIGIR considers cost overrun for the project. • The project failed because subsurface geologic conditions, such as loose, unconsolidated gravels and cobbles, made it impossible to retain open boreholes for large diameter pipelines. Unfortunately, warnings that these conditions existed were contained in a consultant's desktop study before awarding the drilling subcontract and were ignored by USACE and KBR. • A flawed construction design, a subcontract that had no performance requirements, a compartmentalized project management structure that impeded communications, and inadequate oversight by the USACE and KBR contributed to the project's failure. • Failure to complete the project may have been instrumental in losing more than $1.5 billion in potential oil revenues critical to the Iraqi government.
Baghdad Police College SIGIR PA 06-078 and 06-079.2, January 29, 2007	• GRD awarded two task orders to Parsons Inc. to renovate portions and construct other portions of the Baghdad Police College. • The two task orders totaled $72.2 million.	• Contractor did not provide, and the U.S. government did not review, required design drawings. • The U.S. government did not review daily quality control reports and also was unaware of significant deficiencies at project site. • Numerous deficiencies were found, including poor plumbing installation, expansion cracks, and exposed rebar. • The completed barracks buildings had significant plumbing failures. • In an effort to complete the project, 24 items were removed from the scope of work under the contract.
Al Basrah Oil Terminal (ABOT) SIGIR PA 06-080, April 26, 2007	• In January 2004, GRD awarded an indefinite delivery indefinite quantity, cost-plus award-fee contract to Parsons Iraqi Joint Venture for the continuing operations of the Iraq oil infrastructure. Contract minimum was $500,000 with an estimated not-to-exceed amount of $800 million. • Delivery Order 0016 was awarded on March 11, 2005, to increase the ABOT loading capacity to 3 million barrels per day, while enhancing the reliability and safety of terminal operations. The existing facility was operating prior to that time at a loading capacity of approximately 1.2 million barrels per day. There were 23 modifications to Delivery Order 0016, which among other things, increased its total cost to more than $48 million.	• Design information submitted for repairs to Berths 1–4 and on-site assessment of work appeared to be satisfactory. • Design information for the lifeboat deployment system appeared to be incomplete and lacked necessary details; SIGIR could not comment on the quality of work during site visit because installation had not occurred. • Contractor's quality-control plan and government quality-assurance program was satisfactory. • Contract task order adequately addressed sustainability. • ABOT projects to refurbish and repair the four berth loading arms were consistent with the original task order objectives.
Doura Power Plant SIGIR PA 07-103, July 27, 2007	• Bechtel was tasked with the rehabilitation of two of the four steam turbines at the Doura Power Plant. • $90.8 million project turned over to the GOI.	• Doura Power Plant Units 5 and 6 were not operational when SIGIR observed them in June 2007. • Unit 5 experienced catastrophic failures in August 2006 and April 2007; the Ministry of Electricity had operational control of the unit. • Unit 6 had not been operational since the rehabilitation was completed by the United States. • The Ministry of Electricity had not operated effectively and had not sufficiently maintained equipment.
Relief and Reconstruction Funded Work at the Mosul Dam SIGIR PA 07-105, October 29, 2007	• GRD selected CH2M Hill/Parsons as the Sector Project and Contracting Office Contractor responsible for engineering analysis and technical consulting, requirements management, quality assurance, contract administration, procurement, and logistics support. • 21 contracts, valued at $27 million, were let to foreign companies.	• Numerous problems were found at the site, including no design drawings and specifications for large silos for holding concrete or for the construction of a grout-mixing plant, and foundation bolts were poorly installed. • Many contractor invoices lacked supporting details for materials and equipment claimed. • Contract file documentation showed that the contracting officer attempted to modify the delivered concrete mixing plants into grout-mixing plants at the expense of the U.S. government. • Equipment and materials (valued at approximately $19.4 million) delivered to the Mosul Dam for the implementation of the grouting operations did not provide benefit to the Ministry of Water Resources and may have been wasted.

TABLE 2.6

Bloom

Stein

Top Five SIGIR Investigations

CASE	BACKGROUND	STATUS
Robert Stein Former CPA Comptroller and Funding Officer **Philip Bloom** Contractor	• Stein pled guilty to conspiracy, bribery, money laundering, possession of machine guns, and being a felon in the possession of a firearm. • Stein co-conspired with Bloom to funnel numerous fraudulent contract payments to Bloom in exchange for kickbacks and bribes. • The total value of contracts awarded to Bloom through the bid-rigging schemes totaled more than $8.6 million.	• On January 29, 2007, Stein was sentenced to nine years in prison and three years of supervised release; he was ordered to pay $3.6 million in restitution and forfeit $3.6 million in assets. • On February 16, 2007, Bloom was sentenced to 46 months in prison and 2 years of supervised release; he was ordered to pay $3.6 million in restitution and forfeit $3.6 million in assets.
Bruce D. Hopfengardner Lt. Colonel in the U.S. Army Reserve	• Hopfengardner pled guilty to conspiracy to commit wire fraud and money laundering in connection with the Bloom-Stein scheme. • He admitted that while serving as a special advisor to the CPA, he used his official position to steer contracts to Bloom, who provided $144,500 in cash, over $70,000 in vehicles, and other items in return. • He admitted to stealing $120,000 in reconstruction funds, smuggling the stolen currency into the United States aboard commercial and military aircraft.	• On June 25, 2007, Hopfengardner was sentenced to 21 months in prison, followed by 3 years supervised release; he was ordered to forfeit $144,500. • U.S. Army Colonel Curtis G. Whiteford, U.S. Army Lt. Colonels Debra M. Harrison and Michael B. Wheeler, with civilians Michael Morris and William Driver, were indicted for various crimes related to the Bloom-Stein case. • Steven Merkes, former U.S. Air Force Master Sergeant, pled guilty to accepting illegal gratuities from Bloom. On June 1, 2007, he was sentenced to 12 months and a day in prison and ordered to pay restitution of $24,000.
Faheem Mousa Salam Employee of Government Contractor	• Salam pled guilty to a violation of the Foreign Corrupt Practices Act for offering a bribe of $60,000 to an Iraqi police officer.	• On February 2, 2007, Salam was sentenced to three years in prison, two years of supervised release, and 250 hours of community service.
John Cockerham U.S. Army Major **Melissa Cockerham** Wife to John Cockerham **Carolyn Blake** Sister to John Cockerham	• The three individuals, an unidentified co-conspirator, and others allegedly accepted millions of dollars in bribe payments in return for rigging bids. • Bribes allegedly totaled $9.6 million.	• On July 27, 2007, John Cockerham was indicted on bribery, money laundering, and wire fraud; Melissa Cockerham and Carolyn Blake were indicted on money laundering and wire fraud.
Terry Hall	• Hall allegedly paid money and other items of value to a U.S. military contracting officer to influence the officer, including the award of more than $20 million in military contracts.	• On November 15, 2007, Hall was arrested on a criminal complaint charging bribery. • On November 20, 2007, a federal grand jury indicted Hall for soliciting bribes.

Table 2.7

LESSONS LEARNED INITIATIVE

SIGIR's *Lessons Learned Initiative* has documented the challenges faced within the Iraq program and provided recommendations that have improved management of personnel, contracting, and oversight of programs and projects in Iraq.

SIGIR published three reports between February 2006 and March 2007, focusing on human capital management, contracting and procurement, and program and project management, respectively. SIGIR is currently working on a fourth lessons-learned report, covering all aspects of the reconstruction program.

These are the top five lessons learned recommendations, drawn from SIGIR's previous reports:

- **The Congress should consider a "Goldwater Nichols"-like reform measure to promote better integration among DoD, USAID, and DoS, particularly with respect to post-conflict contingency operations.** In 1986, the Goldwater-Nichols Act initiated a fundamental reorganization of DoD, increasing cooperation and integration. The Iraq experience illustrates the need to expand cooperation and integration across U.S. agencies, but most especially among DoD, DoS, and USAID.
- **The Administration and Congress should develop a "civilian reserve corps" that would serve as reconstruction and stabilization first responders.** This civilian reserve corps would include a quick-reaction human resources team that pre-identifies human capital requirements for potential relief and reconstruction contingency operations.
- **Explore the creation of an enhanced Contingency FAR (CFAR).** By promoting greater uniformity through a single interagency, the CFAR would provide a single set of simple and accessible contracting procedures for universal use in post-conflict reconstruction situations.
- **The Congress should fund, expand, and empower the Office of the Coordinator for Reconstruction and Stabilization (S/CRS), pursuant to NSPD-44.** This organization could serve as the primary point of authority within the U.S. government for planning and programming future relief and reconstruction efforts.
- **Future post-conflict contingency planning should provide for well-resourced and uninterrupted oversight of relief and reconstruction programs to ensure effective monitoring from the outset and permit real-time adjustments.** Operations that involve multiple agencies, funding streams, and management systems require that the Congress take steps to standardize oversight and provide clear guidance on any reporting requirements involving multiple agencies.

The SIGIR lessons learned reports are available online at www.sigir.mil.

TOP FIVE SHORTFALLS OF THE RECONSTRUCTION PROGRAM

SIGIR has documented a variety of shortfalls in the U.S. reconstruction effort through Iraq audits, inspections, investigative work, and lessons learned reports. These are the top five examples:

- **Wasteful Management Practices.** Wasteful management practices have made reconstruction programs in Iraq vulnerable to fraud, waste, and abuse. SIGIR audits found pervasive weaknesses in program and contract management, and SIGIR inspections uncovered oversight problems leading to waste at construction sites.[26] Poor contract management (exacerbated by shortages of qualified contracting officers) has been cited as a significant factor affecting fraud, waste, and abuse in Iraq.[27] SIGIR found that, where effective oversight was in place, U.S. projects were generally successful.

- **Personnel Challenges.** Limited personnel resources and high turnover rates have contributed significantly to ineffective administration and implementation of reconstruction contracts. In January 2008, the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) estimated its personnel turnover rate at 180% per year.[28] A March 2008 GAO audit concluded that the failure to provide an adequate number of contract oversight personnel was one of the long-standing and systemic problems that continue to hinder DoD's management and oversight of contractors.[29]

- **Fragmented Asset-transfer Program.** In a series of asset-transfer audits, SIGIR identified several shortcomings, including the lack of a uniform mechanism among U.S. agencies for transferring completed projects to the Iraqi government. SIGIR determined that the lack of common asset-transfer processes for U.S. agencies, compounded by the reluctance of GOI officials at the national level to formally accept projects, has hindered the effective handover of U.S.-funded reconstruction projects.[30] In an audit published this quarter, SIGIR found that U.S. agencies have taken steps to improve asset transfer policies; however, further action is needed, including a uniform transfer process.[31]

- **Inconsistent Coordination of Capacity-development Programs.** A January 2007 SIGIR audit found that the U.S. reconstruction program had not been able to provide an overarching plan for building the capacity of the Iraqi ministries to address shortfalls in budget execution, democracy and reconciliation, institutionalizing rule-of-law programs, and infrastructure development. Without a detailed strategic plan for capacity development, resources may be wasted.[32]

- **Weak Support for Iraq Anticorruption Entities.** Previous SIGIR reports concluded that

U.S. anticorruption efforts lacked a comprehensive plan featuring metrics that tie the program to overall strategy, as well as baselines from which progress can be measured. This quarter, SIGIR released its latest report in a series assessing U.S. anticorruption efforts in Iraq, noting progress by the U.S. Embassy since January 2008 in revitalizing and coordinating programs.

TOP FIVE CURRENT CHALLENGES

Notwithstanding the progress made to counteract deficiencies in reconstruction management, these shortfalls continue to challenge the U.S. reconstruction effort in Iraq:

- **Sustaining the U.S. Reconstruction Investment.** The preservation of U.S. investment in Iraq's relief and reconstruction remains a key concern because the ultimate success of the reconstruction program depends on Iraq's capacity to manage and sustain U.S.-funded projects.

  An essential element to meeting this goal is an effective asset-transfer process. Absent an effective means of transferring completed projects to the Iraqi government and adequate Iraqi commitment and funding to maintain the facilities, the U.S. reconstruction investment could be placed at risk.

  Resolving the asset-transfer issue is essential to ensuring that the GOI and the United States fully realize that the benefit of the U.S. reconstruction program is sustained.[33] The GOI

must budget funding for sustaining U.S.-funded projects to ensure their continued benefit.[34]

- **Combating Iraq's Corruption.** The U.S. Ambassador has said that pervasive corruption poses a serious threat to Iraq's stability.[35] SIGIR first reported in 2005 that corruption in Iraq is a "second insurgency," endangering the fledgling democracy.[36]

  In testimony before the Congress this quarter, the Inspector General noted the negative effects corruption has on the political and economic progress necessary for the transfer of security and reconstruction responsibilities to Iraqi control. During the March 2008 hearing before the Senate Appropriations Committee, the Inspector General said:[37]

  > In very real terms, corruption stymies the construction and maintenance of Iraq's infrastructure, deprives people of goods and services, reduces confidence in public institutions, and potentially aids insurgent groups reportedly funded by graft derived from oil smuggling or embezzlement. Corruption discourages hope, devalues America's contributions to Iraq, and strengthens the appeal of our opponents.

- **Improving Contract Oversight in Contingency Environments.** As of January 26, 2008, nearly 164,000 contractors worked under DoD contracts in Iraq. By way of comparison, as of March 30, 2008, nearly 157,000 troops were serving in Iraq.[38]

  In a contracting environment of this magnitude—entailing more than 17,000 contract-

ing actions to date from GRD and USAID[39]—three prerequisites are essential to protecting taxpayer interests throughout the contracting process: (1) clearly defined roles and responsibilities, (2) continuous and effective oversight by qualified and experienced personnel, and (3) systemic and technical coordination among all contracting agencies operating in theater.

A SIGIR audit released this quarter found that, over time, there were multiple DoD contracting organizations. Currently, six DoS offices and two USAID offices are simultaneously engaged in awarding reconstruction contracts for projects across Iraq.[40]

The Inspector General made a number of recommendations in testimony before the Congress that civilian agencies contracting in a contingency environment need to adopt.[41]

- **Right-sizing the U.S. Reconstruction Management Program.** The primary focus of U.S. reconstruction support has shifted to capacity development with "an emphasis on local and post-kinetic development through [a] network of PRTs and ministerial advisors."[42]

In spring 2003, U.S. reconstruction activities under the Office of Reconstruction and Humanitarian Assistance (ORHA) focused primarily on what was expected to be a short relief and reconstruction effort—using traditional aid programs from individual agencies to accomplish these objectives. The Coalition Provisional Authority, which succeeded ORHA in 2003, transformed the effort into a large-scale, sector-based approach to reconstruction, creating massive programs and expending billions of dollars of U.S. funds on reconstruction in Iraq through the IRRF.

With the IRRF now nearly depleted and the ESF, CERP, and the ISFF having emerged as the dominant sources of available funding for the reconstruction effort, the U.S. reconstruction program has evolved to a series of agency-driven programs. This makes coordination more challenging. For example, a recent SIGIR audit found a lack of coordination between the CERP and PRT programs. This October 2007 audit of the PRT program found that commanders were using CERP funds to conduct projects more appropriate for the local and provincial governments and, in some cases, without coordinating with ESF-funded PRT activities.[43] A recent report on PRTs released by the House Armed Services Committee substantiated this point, finding that PRTs in Iraq face complex management challenges because funding is not centrally coordinated.[44]

**WORLD BANK ASSESSMENT OF IRAQ'S GOVERNANCE CAPACITY —
PERCENTILE RANKING** (SCALE = 0 TO 100)

	2002	2003	2004	2005	2006
Control of Corruption	1.9	8.7	2.4	5.3	3.4
Voice and Accountability	0.0	4.3	2.4	8.2	7.7
Political Stability	3.8	0.0	0.0	0.0	0.0
Government Effectiveness	0.5	2.4	4.7	1.9	1.4
Regulatory Quality	0.0	5.9	4.4	5.4	7.3
Rule of Law	3.3	1.4	0.5	0.5	1.0

Source: World Bank (Kaufmann, Kraay, Mastruzzi), *Governance Matters IV: Aggregate and Individual Governance Indicators Report* 1996 – 2006, 2007.

Note: Percentile rank indicates rank of Iraq among all countries in the world. The ranking ranges from 0 to 100, with 0 being the lowest ranking.

TABLE 2.8

- **Expanding Iraqi Governance Capabilities.** The World Bank's 2007 assessment of Iraq's progress, *Aggregate and Individual Governance Indicators Report*, measured six dimensions of Iraqi governance. The assessment found that Iraq ranks in the bottom 10% of all countries in the world for each category: control of corruption, voice and accountability, political stability, government effectiveness, regulatory quality, and rule of law. For Iraq's World Bank rankings for the past five years, see Table 2.8.

    The *International Compact for Iraq* (Compact) benchmarks—most of which align with the benchmarks identified by the United States last year—set key milestones and metrics for measuring progress. The Compact acknowledges that Iraq's ability to hold new provincial elections and pass key legislation, including the Hydrocarbon Law, are prerequisites for securing further international support. To date, a number of the Compact's benchmarks remain unmet or only partially satisfied. Continued benchmark assessments will shape the level of future international involvement.

U.S. FUNDING STREAMS

As of March 31, 2008, funds appropriated for the U.S. reconstruction program in Iraq totaled $46.3 billion. See Table 2.9 for an overview of these appropriations, including the four primary funding streams that account for nearly 92% of total U.S. reconstruction[45] appropriations: the Iraq Relief and Reconstruction Fund (IRRF), the Iraq Security Forces Fund (ISFF), the Commander's

U.S. SUPPORT FOR IRAQ RECONSTRUCTION ($ BILLIONS)

U.S. FUND	APPROPRIATED	ALLOCATED	OBLIGATED	EXPENDED
IRRF 1	$2.48	$2.27	$2.26	$2.25
IRRF 2	18.44	18.30	17.77	16.95
IRRF Total	**$20.91**	**$20.57**	**$20.03**	**$19.20**
ISFF FY 2005	$5.39	-	-	-
ISFF FY 2006	3.01	-	-	-
ISFF FY 2007	5.54	-	-	-
ISFF FY 2008	1.50	-	-	-
ISFF Total	**$15.44**	**-**	**$11.23**	**$8.51**
ESF FY 2003	$0.05	$0.05	$0.05	$0.05
ESF FY 2006 Supplemental	1.41	1.40	1.27	0.77
ESF FY 2006, DoS	0.06	0.06	0.03	0.02
ESF FY 2007 Supplemental	1.55	1.55	1.03	0.24
ESF FY 2007, Continuing Resolutions	0.12	0.10	0.10	0.06
ESF FY 2008	0.02	0.02	-	-
ESF Total	**$3.21**	**$3.18**	**$2.48**	**$1.14**
CERP FY 2004	$0.14	-	$0.03	$0.03
CERP FY 2005	0.72	-	0.72	0.64
CERP FY 2006	0.71	-	0.50	0.40
CERP FY 2007[a]	0.73	-	0.89	0.61
CERP FY 2008[a]	0.37	-	0.42	0.12
CERP Total	**$2.66**	**-**	**$2.56**	**$1.80**
Other Funding	**$4.07**	**$0.26**	**$0.16**	**$0.04**
Total	**$46.30**	**$24.01**	**$36.46**	**$30.69**

Sources: **IRRF 1:** USAID, response to SIGIR data call, April 8, 2008; GRD, response to SIGIR data call, April 2, 2008; Treasury, response to SIGIR data call, April 3, 2008; USTDA, response to SIGIR data call, April 3, 2008; DoS, response to SIGIR data call, April 5, 2008; WHS, response to SIGIR data call, April 1, 2008; DFAS response to SIGIR data call, April 10, 2008. **IRRF 2:** allocated, obligated, and expended figures all from DoS, *Iraq Weekly Status,* March 26, 2008. **ISFF FY 2005–FY 2008:** obligated and expended figures (no allocated or fiscal year detail for ISFF available this quarter) all from MNSTC-I, responses to SIGIR data call, April 12, 2008, and April 17, 2008. **CERP FY 2004–FY 2008:** obligated and expended figures (no allocated detail for CERP) all from MNC-I, response to SIGIR data call, April 9, 2008. **Other Funding:** allocated, obligated, and expended figures all from INL, response to SIGIR data call, April 8, 2008. **ESF:** allocated, obligated, and expended figures from GRD, responses to SIGIR data call, April 3, 2008, and April 5, 2008; ITAO, responses to SIGIR data call, January 4, 2008, and April 3, 2008; DoS, *Section 2207 Report,* October 2007; GRD, response to SIGIR data call, April 3, 2008; USAID, response to SIGIR data call, April 14, 2008; ITAO, *Essential Indicators Report,* March 27, 2008.

Note: Numbers are affected by rounding.

[a] MNC-I reports obligations for the CERP. In FY 2007 and FY 2008, reported obligations exceed appropriations totals. MNC-I did not provide amplifying information about this.

TABLE 2.9

APRIL 30, 2008 | REPORT TO CONGRESS | 35

Figure 2.2
TIMELINE OF U.S. APPROPRIATIONS
$ Billions

Note: Funding totals are not to scale.
a Total includes P.L. 110-28, enacted May 25, 2007, and aggregate total of FY 2008 continuing resolutions for ESF; also includes FY 2007 rescission of $76 million.
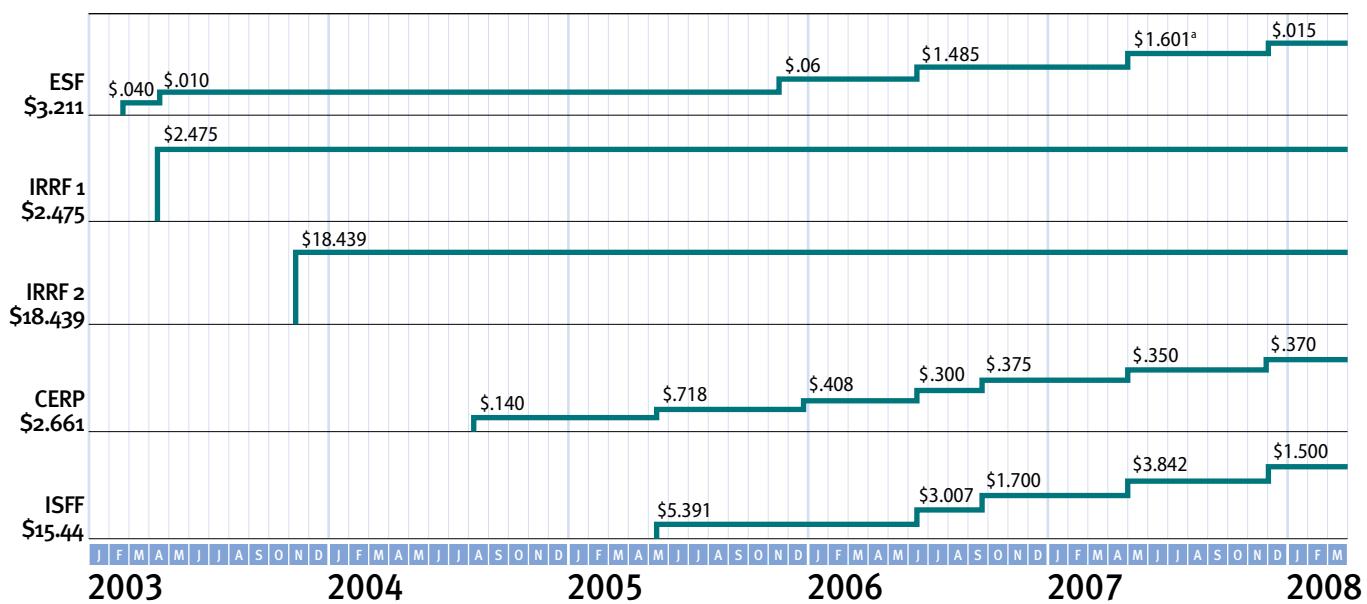
Emergency Response Program (CERP), and the Economic Support Fund (ESF). For a timeline of these appropriations, see Figure 2.2.

The total U.S. appropriations for Iraq relief and reconstruction was revised downward from the $47.5 billion reported in SIGIR's January 2008 Report to $46.3 billion this quarter. This change reflects updated information provided by the Office of Management and Budget (OMB) on reconstruction accounts and a rescission in the ESF account. For details of these changes, see the *Overview* section in this Report.

SIGIR'S EXPANDED MANDATE

On January 28, 2008, the President signed the National Defense Authorization Act for Fiscal Year 2008 (P.L. 110-181), expanding SIGIR's jurisdiction to include all monies "appropriated or otherwise made available for the reconstruction of Iraq," or for the "assistance for the reconstruction of Iraq," regardless of funding stream or fiscal year. SIGIR's tenure was also extended and now concludes 180 days after all but $250 million of funds made available for Iraq reconstruction are expended.

As of March 31, 2008, SIGIR has oversight of 31 different relief and reconstruction funds, totaling $46.3 billion. Funds under SIGIR purview are divided between Defense appropriations (42%) and State and Foreign Operations appropriations (57%), shown in Figure 2.3.

Table 2.10 presents the best information available for U.S. appropriated funding but does not provide a complete picture of all U.S. relief and reconstruction activities. SIGIR does not have complete information on funding for narrowly focused programs of some agencies or the use of agency operating funds for projects in Iraq. However, SIGIR has included estimates for selected accounts, which are reflected in the table's reference notes.

Figure 2.3

SUMMARY OF SIGIR OVERSIGHT BY SOURCE
$ Billions, % of $46.3 Billion
Source: SIGIR Analysis of Public Laws (2003–2007)

Defense
$19.6
42%

57%

State and
Foreign Operations
$26.5

Other
$0.04 (<1%)

Note: Numbers are affected by rounding.

U.S. APPROPRIATIONS FOR IRAQ RELIEF AND RECONSTRUCTION ($ THOUSANDS)

Funding Mechanism	Consolidated Appropriations Resolution, 2003 — P.L. 108-7 — 20-Feb-03	Emergency Wartime Supplemental Appropriations Act, 2003 — P.L. 108-11 — 16-Apr-03	Emergency Appropriations Act for the Defense and for the Reconstruction of Iraq and Afghanistan, 2004 — P.L. 108-106 — 6-Nov-03	Department of Defense Appropriations Act, 2005 — P.L. 108-287 — 5-Aug-04	Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005 — P.L. 109-13 — 11-May-05	Appropriations for the Department of State, FY 2006 — P.L. 109-102 — 14-Nov-05	Appropriations for the Department of Defense, FY 2006 — P.L. 109-148 — 30-Dec-05	Emergency Supplemental Appropriations for FY 2006 — P.L. 109-234 — 15-Jun-06	Department of Defense Appropriations Act, FY 2007 — P.L. 109-289 — 29-Sep-06	U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007 — P.L. 110-28 — 25-May-07	2007 Foreign Assistance Continuing Resolutions — P.L. 110-92, P.L. 110-116, P.L. 110-137, P.L. 110-149 — 21-Dec-07	Consolidated Appropriations Act, 2008 — P.L. 110-161 — 26-Dec-07	Total Appropriations
Iraq Relief and Reconstruction Fund (IRRF 1)		$2,475,000											$2,475,000
Iraq Relief and Reconstruction Fund (IRRF 2)a			$18,439,000										$18,439,000
Iraq Security Forces Fund (ISFF)					$5,391,000			$3,007,000	$1,700,000	$3,842,300		$1,500,000	$15,440,300
Economic Support Fund (ESF)b	$40,000	$10,000				$60,390		$1,485,000		$1,478,000	$122,800	$14,830	$3,211,020
Commander's Emergency Response Program (CERP)c				$140,000	$718,000		$408,000	$300,000	$375,000	$350,000		$370,000	$2,661,000
Coalition Provisional Authority (CPA)d			$908,000										$908,000
Project and Contracting Officee								$200,000		$630,000			$830,000
Natural Resources Risk Remediation Fund (NRRRF)		$489,300											$489,300
Department of State, Bureau of International Narcotics Control and Law Enforcement Affairs (DoS/INL)		$20,000						$91,400		$150,000	$20,048		$281,448
International Disaster and Famine Assistance		$143,800								$45,000	$5,000	$80,000	$273,800
Migration and Refugee Assistance										$45,000	$20,000	$149,400	$214,400
Democracy Fund (State)										$250,000			$250,000
Iraq Freedom Fund (Reconstruction and Rehabilitation only)f										$150,000			$150,000
Special Inspector General for Iraq Reconstruction (SIGIR)			$75,000					$24,000		$35,000			$134,000
USAID Administrative Expenses		$21,000			$24,400			$79,000					$124,400
Child Survival and Health Programs Fund		$90,000											$90,000
P.L. 480 Title II Food Aid	$68,000												$68,000
Voluntary Peacekeeping Operations		$50,000											$50,000
Alhurra-Iraq Broadcasting			$40,000										$40,000
Emergency Refugee and Migration Assistance		$37,000											$37,000

U.S. Appropriations for Iraq Relief and Reconstruction ($ thousands)

Funding Mechanism	Consolidated Appropriations Resolution, 2003	Emergency Wartime Supplemental Appropriations Act, 2003	Emergency Appropriations Act for the Defense and for the Reconstruction of Iraq and Afghanistan, 2004	Department of Defense Appropriations Act, 2005	Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief, 2005	Appropriations for the Department of State, FY 2006	Appropriations for the Department of Defense, FY 2006	Emergency Supplemental Appropriations for FY 2006	Department of Defense Appropriations Act, FY 2007	U.S. Troop Readiness, Veterans' Care, Katrina Recovery, and Iraq Accountability Appropriations Act, 2007	2007 Foreign Assistance Continuing Resolutions	Consolidated Appropriations Act, 2008	Total Appropriations
Nonproliferation, Anti-terrorism, Demining and Related Programs (NADR)										$7,000	$12,350	$16,000	$35,350
Education and Cultural Exchange Programs											$20,000		$20,000
Overseas Humanitarian, Disaster and Civic Aid			$17,000										$17,000
Defense Contract Audit Agency (DCAA)[g]										$16,372			$16,372
International Affairs Technical Assistance								$13,000		$2,750			$15,750
United States Agency for International Development, Office of Inspector General (USAID OIG)		$3,500	$1,900		$2,500					$2,500			$10,400
DoD Office of the Inspector General								$5,000					$5,000
Combatant Commander Initiative Fund (CINC Initiative Fund)		$3,612											$3,612
Department of State, Office of Inspector General								$1,000		$1,300			$2,300
Department of Justice; litigation support										$1,648			$1,648
International Military and Education Training (IMET)						$693					$1,138		$1,831
Legal Activities and U.S. Marshals (Salaries and Expenses)								$1,000					$1,000
TOTAL	$108,000	$3,343,212	$19,480,900	$140,000	$6,135,900	$61,083	$408,000	$5,206,400	$2,075,000	$7,006,870	$201,336	$2,130,230	$46,296,931

Notes:
[a] $18.439 billion represents the amount appropriated by the Congress for Iraq programs in the IRRF 2 under P.L. 108-106, enacted in November 2003. The Congress had initially appropriated $18.649 billion to the IRRF 2, but also earmarked that $210 million be transferred to other accounts for programs in Jordan, Liberia, and Sudan. Of the remaining $18.439 billion, the Administration transferred out of the IRRF to other accounts roughly $562 million for Iraq-related programs that could be implemented only in other accounts, such as a $352 million Iraq bilateral debt-forgiveness program to the United States that required funding in a Treasury account. The Congress was notified of all transfers out of the IRRF. In addition, in FY 2006 appropriations, Congress earmarked that $9.95 million be transferred into the IRRF from the DoS Economic Support Fund account.
[b] $40 million from FY 2003 ESF base account that was not reimbursed; $10 million from P.L. 108-11. FY 2007 ESF Emergency Supplemental includes $76 million rescission.
[c] Congress appropriated $500 million in CERP funding under P.L. 110-161; DoD allocated $370 million for Iraq and $130 million for Afghanistan.
[d] Excludes $75 million for Special Inspector General for Iraq Reconstruction under P.L. 108-106.
[e] Per conference reports for P.L. 109-234 and P.L. 110-28, reconstruction support funding is provided for Project and Contracting Office activities.
[f] 110-28 conference report includes $50 million in drawdown authority for a task force to improve business and stability operations in Iraq, and $100 million to help DoD defray the administrative/security costs of helping support Provincial Reconstruction Teams.
[g] As identified in 110-28 conference report. Includes Iraq reconstruction efforts for civilian personnel, temporary/additional duty, and miscellaneous contracts.

TABLE 2.10

IRAQ RELIEF AND RECONSTRUCTION FUND

The first U.S. appropriation specifically for Iraq's relief and reconstruction occurred in April 2003, when the Congress passed P.L. 108-11 creating the IRRF 1. Through the IRRF 1, $2.48 billion was made available to USAID, DoD, DoS, the U.S. Department of Treasury (Treasury), and the U.S. Trade and Development Agency (USTDA). For the status of IRRF 1 funds, see Figure 2.4.

In November 2003, the Congress passed P.L. 108-106, providing $18.44 billion in supplemental funds to further support U.S. agencies managing the reconstruction effort. These funds, known as the IRRF 2, emphasized investment in the restoration of Iraq's infrastructure, entailing large projects in the oil, electricity, and water sectors. For the status of IRRF 2 funds, see Figure 2.5.

THE STATUS OF THE IRRF: FIVE YEARS ON

IRRF 1 reconstruction planners initially focused on the immediate humanitarian needs of post-conflict Iraq. After further assessment, the United States set additional priorities for IRRF 2 projects to address years of neglect. The focus for IRRF 2 became large infrastructure construction projects and security. Initially, most contracts were awarded to large, multi-national firms.

As the security situation in Iraq worsened, reconstruction needs began to shift to a wider range of smaller projects. Reconstruction managers modified their approach to target projects that employed more Iraqi contractors. By 2006, 75% of new IRRF contracts were awarded to Iraqi firms.[46]

Figure 2.4

STATUS OF IRRF 1 FUNDS
$ Billions
Source: P.L. 108-11 as of 3/31/2008

TOTAL APPROPRIATED $2.48

TOTAL OBLIGATED
$2.27

TOTAL EXPENDED
$2.25

Note: Numbers are affected by rounding.

Figure 2.5

STATUS OF IRRF 2 FUNDS
$ Billions
Sources: P.L. 108-106; DoS, *Iraq Weekly Status* (3/26/2008)

TOTAL APPROPRIATED $18.44

TOTAL OBLIGATED
$17.77

TOTAL EXPENDED
$16.95
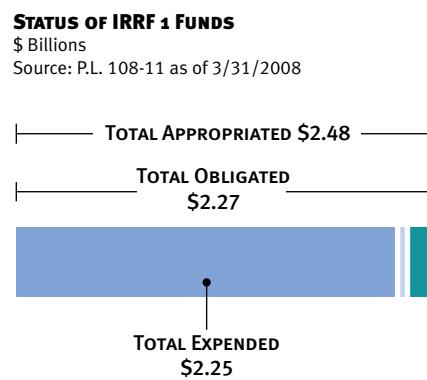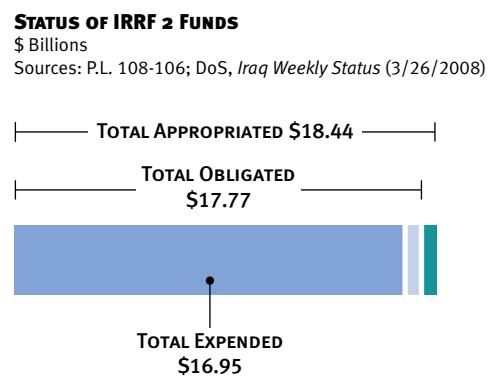
Note: Numbers are affected by rounding.

IRRF 1

The IRRF 1 was intended to provide a rapid, short-term infusion of funds to jumpstart the recovery of Iraq in the post-conflict period. Its focus was largely on providing humanitarian assistance and addressing the immediate rehabilitation needs of Iraq.[47] The Congress apportioned to USAID (71.2%), followed by DoD (22.8%), DoS (5.5%), Treasury (0.3%), and USTDA (0.2%). IRRF 1 funds expired in September 2004; however, some funds remain available for existing obligation adjustments.

USAID

USAID, the largest recipient of the IRRF 1, was apportioned $1.62 billion. As of March 31, 2008, USAID had obligated $1.61 billion and expended $1.60 billion.[48] All of its Iraq programs funded by the IRRF 1 are now complete.[49]

USAID's major program areas for IRRF were:
- Restore Economically Critical Infrastructure
- Improve Efficiency and Accountability of Government
- Support Education, Health, and Social Services
- Relief: Office of U.S. Foreign Disaster Assistance
- Office of Transition Initiatives (OTI)
- Expand Economic Opportunity

For a detailed description of USAID's program activities and outcomes, see Table 2.11.

THE DEPARTMENT OF DEFENSE

DoD, the second largest implementer of IRRF 1 funds, obligated $518.26 million and expended $517.94 million[50] for programs to aid in the restoration of critical infrastructure, including:
- Restore Iraq Electricity (RIE)
- Restore Iraq Oil (RIO)
- First Responder Network/Defense Institute of International Legal Studies (DIILS)

GRD reported that projects started under the IRRF 1 were subsumed by IRRF 2 programs. Therefore, some outputs and outcomes from the IRRF 1 are covered by the outputs and outcomes of IRRF 2 programs.[51]

THE DEPARTMENT OF STATE

DoS was apportioned just over $125 million of the IRRF 1, all of which has been obligated. As of March 31, 2008, just over $116 million had been expended.[52]

IRRF 1 expenditures by DoS were largely for rule-of-law efforts, including:[53]
- Police/Prison Programs: Reconstruction and Modernization of Detention Facilities
- Relief Efforts: Migration and Refugee Assistance
- Law Enforcement: Bureau of International Security and Nonproliferation and Bureau of International Narcotics and Law Enforcement Affairs (INL)
- Humanitarian Demining: minefield and battle-area clearance operations

USAID Outputs and Outcomes of IRRF 1 Programs

PROGRAM NAME	PROGRAM DESCRIPTION	SUMMARY OF OUTCOMES
RESTORE ECONOMICALLY CRITICAL INFRASTRUCTURE	Airports: Assessed three major airports (Basrah, Baghdad, Mosul).	Rehabilitated Basrah, Baghdad, and Mosul airports.
	Seaport: Assessed Umm Qasr Seaport, improving port management and operations.	Restored power, security fencing, and security systems, which enabled Umm Qasr New Commercial and Grain ports to be functional and serving all Iraqi citizens.
	Water and Wastewater: Completed more than 26 water treatment facilities and 5 sewage treatment plants, plus wastewater and solid-waste facilities.	Restored 14 Basrah water treatment plants and the Basrah water supply water system and mains and Basrah solid-waste system, serving an estimated 1,500,000 Basrah area citizens. In Baghdad, restored Rustimiyah, Kherkh, Sharq-Dijlah water, sewage, and wastewater plants.
	Electricity: Restored approximately 600 MW to the electricity grid and purchased 540 MW of new generation.	Provided emergency transmission line parts and restored the 400-kV transmission link between north and south Iraq, Nassriya to Khor Zubayr line, over 250 towers, stabilizing the national electric power grid.
		Carried out major maintenance and refurbishment work on 17 major existing generating units, rated for a total 2,220 MW, and purchased 4 major new units that will provide 540 MW of new capacity.
	Schools and Health Clinics: Rehabilitated schools and health clinics.	Refurbished on an emergency basis, 1,239 schools, 52 health units, and 10 fire stations, enabling these facilities to be put into use to educate, to provide health care, and to support fire protection to the Iraqi people.
	Bridges: Rebuilt 3 critical bridges.	Repaired bridges to open up traffic across three major bridges, the Al Mat (Hwy 10 Western Iraq), Kharza (Hwy 2 Mosul-Erbil) bridges, and the Tikrit Bridge over the Tigris River, restoring surface capability for humanitarian aid and commercial traffic.
	Telecommunications: Restored the number of available phone circuits in Baghdad by 240,000.	Replaced 12 major telecom switches in Baghdad exchanges and repaired the fiber optic backbone network between Baghdad and Basrah, which restored telephone service to approximately 240,000 customers in southern Iraq, and re-established international calling capability.
	Railroad: 72 km of railroad added to the Port of Umm Qasr.	Increased port access, reduced derailments, and increased safety for humanitarian and commercial shipment to and from the port.
IMPROVE EFFICIENCY AND ACCOUNTABILITY OF GOVERNMENT	Local Governance: Facilitated the establishment or refreshment of advisory councils nationwide.	Conducted 29,000 local democracy dialogues events, reaching approximately 750,000 Iraqis.
		Trained 2,000 appointed council members and 490 provincial and district government officials in budget formulation, execution, public outreach, public finance, strategic planning, and other management skills.
		Established government legislative councils in 16 governorates, 96 districts within those governorates, and 195 sub-districts within those districts.
	USAID Iraq Community Action Program (CAP): Works at the grassroots level throughout Iraq to foster citizen involvement in meeting local development needs.	Developed Community Development Groups (CDGs), which implemented 3,871 small community development programs throughout Iraq.
		More than 500 projects directly benefited women, and many others benefited them indirectly.
		Distributed school uniform kits to 1,025 students in a Baghdad primary school.

USAID Outputs and Outcomes of IRRF 1 Programs

Program Name	Program Description	Summary of Outcomes
Support Education, Health, and Social Services	Higher Education and Development (HEAD): Assisted nine Iraqi universities through partnership with five American universities	Provided computer, office, and laboratory equipment; textbooks; journal and organized training workshops; leadership courses for faculty; and a moot-court competition.
		More than 1,500 Iraqi faculty and students have participated in these education programs around the world.
	Primary/Secondary Schools:	Trained nearly 33,000 secondary school teachers and administrators, including 860 master trainers.
	CAII Education Program, a $56 million project funded by $46 million of the IRRF I	Distributed 808,000 primary school student kits and 81,735 primary teacher kits and distributed 1.5 million secondary school student kits, 159,005 student desks, 26,437 teacher desks, 61,500 chalkboards, and 58,500 teacher kits.
	Basic Education:	Rehabilitated water and sanitation facilities at 11 schools, compiled nationwide school survey, and distributed 18,000 recreation kits.
	UNICEF Education Program, a $19.6 million project funded by $6 million of the IRRF 1	Reviewed, published, and distributed 8.7 million math and science textbooks for primary and secondary school students.
	Health System Strengthening:	Assessed clinic needs and refurbished 120 clinics and obtained equipment for 600 primary health centers.
	ABT, a $23 million program funded with $11 million of the IRRF 1	Assisted the Ministry of Health to develop a vision for the health sector, identified options of national health accounts, and trained more than 2,500 health care providers.
	Health, Water, and Sanitation Services:	Screened 1.3 million children under five for malnutrition.
	UNICEF Health, a $36 million program funded by $25 million of the IRRF 1	Distributed high-protein biscuits and fortified milk to 450,000 children and 200,000 pregnant and nursing mothers, as well as supplementary doses of Vitamin A to 600,000 children and 1.5 million lactating mothers.
		Provided iron supplements to 1.6 million women of child-bearing age and potable water to 400,000 people daily in Basrah and 170,000 persons in Kirkuk and Mosul.
		Vaccinated 5 million children aged 6 through 12 against measles, mumps, and rubella.
Relief: Office of U.S. Foreign Disaster Assistance	Capacity Building: Strengthening the capacity of the Government of Iraq's Ministry of Migration (MOM)	MOM has improved its ability to manage IDP issues by developing a registration system, creating computerized registration processes, producing monthly reports in Arabic and English, and maintaining a bi-lingual website.
	Emergency Response and Early Recovery: Community-based recovery assistance, including psychosocial activities for vulnerable IDPs	Active in Erbil, Muthanna, and Wassit provinces.
		Improved physical and psychosocial health of beneficiary IDPs.
	Health: Mobile health teams funded to provide medical services to IDP families	More than 381,000 IDPs in 6 provinces receiving household-level training and education for maternal and child health care, which improved birthing and childcare practices.
	Water/Sanitation/Hygiene	Water/sanitation and hygiene activities improved public health and reduced incidence of water-borne disease in targeted communities.
	Emergency Relief Supplies	Provided Non-food items (NFIs) to nearly 27,000 newly displaced families across 13 provinces.
	Economic Development: Construction and repair of marketplaces and enterprise spaces.	Supported economic development and restoration of livelihoods for IDPs and host communities.

USAID Outputs and Outcomes of IRRF 1 Programs

Program Name	Program Description	Summary of Outcomes
Office of Transition Initiatives	Middle East Transition Support Initiative (METSI)	Expanded operational and program planning for OTI, including analysis on post-intervention challenges to the establishment of a framework for a unified, democratic nation in Iraq.
		Assisted in devising effective strategies to facilitate post-conflict stability, reconciliation, and governance.
Expand Economic Opportunity	Economic Governance: Economic analysis and technical assistance for Iraqi Ministry of Trade, Iraq Stock Exchange, and the microfinance industry.	Assisted in the management of a $21 million micro-credit program.
		Provided technical assistance to re-open the Iraq Stock Exchange and to strengthen accounting, budgeting, and lending at Iraq's commercial banks.
		Updated commercial laws pertaining to private sector and foreign investment, recommended reforms for insurance regulations, and trained Iraqi insurance staff.
	Marshland Restoration	Published first scientific assessment, "The Restoration Potential of the Mesopotamian Marshes of Iraq" (*Science*, 2005).
		Developed hydrologic reservoir simulation model of the river basins and trained Iraqi Ministry engineers, in partnership with the U.S. Army Corps of Engineers.

Source: USAID, response to SIGIR data call, April 14, 2008.

Table 2.11

THE U.S. TREASURY AND U.S. TRADE AND DEVELOPMENT AGENCY

All of the Treasury's $6 million apportionment has been obligated for technical assistance. As of March 31, 2008, more than $5 million had been expended.[54] The USTDA was apportioned $4.9 million and has obligated all of it and expended $4.7 million to provide economic-related assistance and capacity development for Iraqi officials.[55]

IRRF 2

USAID led most of the relief and reconstruction work for IRRF 1. However, in November 2003, when the IRRF 2 program was created, the Congress appropriated $13 billion of the $18.44

Figure 2.6

IRRF 2 OMB Apportioned Funds
$ Billions, % of $18.33 Billion Apportioned
Source: OMB, Response to SIGIR Data Call (4/4/2008)

Other Iraq Programs
$0.55 (3%)

Treasury
$0.04 (<1%)

DoS
$1.35

USIP
$0.01 (<1%)

7%

USAID
$2.98

16%

73%

DoD
$13.40
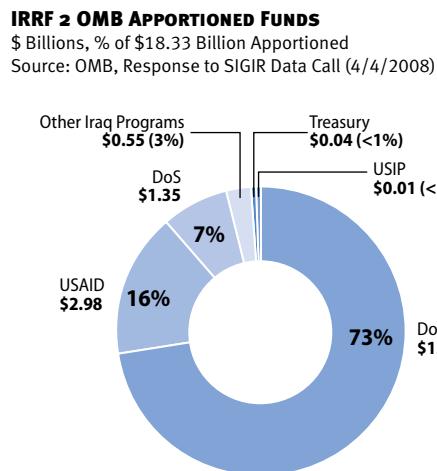
Notes: Numbers are affected by rounding. Approximately $0.12 billion remains unapportioned.

Figure 2.7

Timeline of IRRF 2 Obligations and Expenditures
$ Billions
Sources: IRMO, *Weekly Status Reports* (7/24/2004—4/24/2007);
ITAO, *Weekly Status Reports* (5/29/2007—8/28/2007);
ITAO, *Essential Indicators Reports* (9/24/2007—1/1/2008);
DoS, *Iraq Weekly Status Reports* (1/30/2008—3/26/2008)

$18.44
$17.77
$16.95

Obligated
Expended
Appropriated
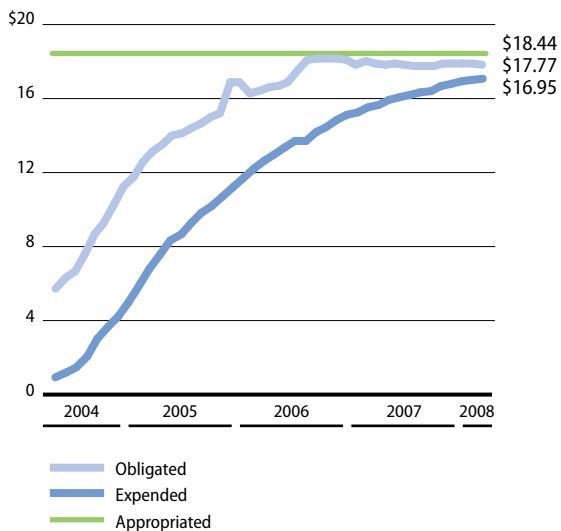
Note: Numbers are affected by rounding.

billion to DoD.[56] For a detailed description of IRRF 2 funds by agency, see Figure 2.6.

As of April 2, 2008, IRRF 2 allocations totaled $18.3 billion, of which 2.8% remains unobligated,[57] totaling $520 million.[58] For the timeline of IRRF 2 obligations and expenditures, see Figure 2.7.

Beginning in September 2004, the IRRF 2 underwent a series of reallocations to address the challenges of a changing reconstruction environment—particularly rising security concerns. From January 2004 to December 2007, allocations to the water and electricity sectors decreased by a combined $3.55 billion—more than 51% from water and 24% from electricity.[59] At the same time, funding for private sector development increased by nearly 350%, and the security and justice sector rose by nearly 55%—a combined increase of $2.59 billion.[60] For a com-

parison of allocations at the beginning of 2004 and the end of 2007, see Table 2.12.

As the IRRF program nears completion, funding re-allocations are occurring less frequently and involve less money. From January to March 2006, only $15.9 million moved among all sectors.[61] For the current distribution of IRRF 2 allocations by sector, see Figure 2.8.

KEY U.S. PROJECTS

In 2004, the World Bank estimated that $20 billion would be required to rebuild the electrical system in Iraq. The electricity sector has the highest remaining IRRF 2 amounts to be expended,[62] with $4.26 billion allocated, $4.05 billion obligated, and all but $252 million expended.[63]

In the water sector, the World Bank estimated that it would take $14.4 billion to rebuild the Iraqi

IRRF 2 Allocations Comparison ($ millions)

Sector/ Category	1/05/2004	12/31/2007	% Change
Security & Law Enforcement	$3,243	$5,005	54%
Justice, Public Safety, Infrastructure, and Civil Society	$1,476	$2,306	56%
Electricity Sector	$5,560	$4,225	(24%)
Oil Infrastructure	$1,701	$1,725	1%
Water Resources and Sanitation	$4,332	$2,121	(51%)
Transportation & Telecommunications Projects	$500	$460	(8%)
Roads, Bridges, and Construction	$370	$334	(10%)
Health Care	$793	$823	4%
Private Sector Development	$184	$823	347%
Education, Refugees, Human Rights, Democracy, and Governance	$280	$425	52%
Administrative Expenses[a]	N/A	$213	N/A
Total	**$18,439**	**$18,458**	

Source: DoS, *Section 2207 Report*, January 2004, and January 2007.

Note: Numbers are affected by rounding.
[a] Administrative Expenses were not included in the original CPA allocation of IRRF 2 funds.

TABLE 2.12

Figure 2.8

IRRF 2 Current Allocations by Sector
$ Billions, % of $18.30 Billion Allocated
Source: DoS, *Iraq Weekly Status* (3/26/2008)
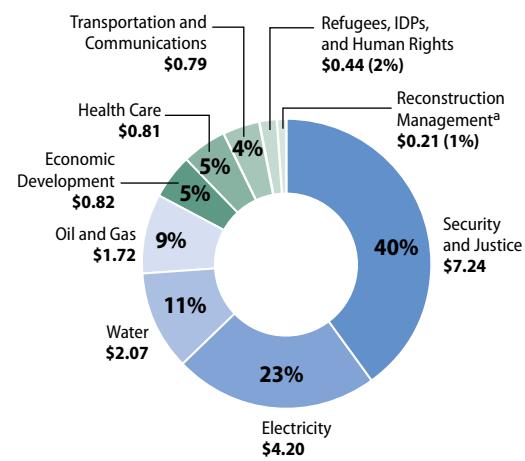
Note: Numbers are affected by rounding. DoS currently reports that $18.30 billion has been allocated to the IRRF 2—down from last quarter's report of $18.31 billion. The change is a result of de-obligations for future use in IRRF 2 programs.
[a] The Reconstruction Management category includes administrative fees and expenses specifically related to the IRRF. The *Reconstruction Management* section in this Report is unrelated to this IRRF allocation category.

public works and water system.[64] As of March 31, 2008, 348 of the 374 total planned projects, valued at nearly $697 million, have been completed.[65] $155 million remains to be expended.[66]

This quarter, SIGIR released two project assessments of IRRF projects: an assessment of the Nassriya Water Treatment Plant (PA-07-116) and a follow-up assessment (PA-08-0131) of a previous inspection of the 800-inmate Nassriya Prison Facility (PA-06-054). For more information on these assessments, see Section 3 of this Report.

CHALLENGES FACING IRRF-FUNDED PROJECTS

The U.S. program for transferring assets to the GOI faces difficulty. This quarter, SIGIR released a sixth audit report on asset transfer, noting several impediments to successfully transitioning IRRF-funded projects. SIGIR auditors found that

Top Ten IRRF 2 Contractors ($ millions)

Contractor	Obligated	Expended
Bechtel National, Inc.	$1,214	$1,177
FluorAMEC, LLC	$941	$934
Parsons Global Services, Inc.	$667	$635
Kellogg, Brown & Root Services, Inc. (KBR)	$630	$615
Parsons Iraq Joint Venture	$624	$614
Washington Group International	$508	$504
Development Alternatives, Inc.	$440	$436
Environmental Chemical Corporation	$352	$349
Anham Joint Venture	$259	$259
Symbion Power, LLC	$252	$210

Sources: U.S. Army Corps of Engineers Financial Management System, *All Items Report for PMCON* and *All Items Report for PMNCN*, April 4, 2008; USAID, *Activities Report*, April 14, 2008.

Table 2.13

the process was fragmented among several different U.S. agencies and lacked sufficient standardization, management, coordination, and transparency among U.S. agencies.[67] SIGIR reiterated that the "inability to obtain GOI concurrence and support for procedures to accept responsibility for completed U.S.-funded projects has been particularly problematic."[68]

Most SIGIR oversight of the IRRF over the past five years has been dedicated to assessing program effectiveness, sustainment processes, and project outcomes, entailing more than 73 audits and 95 inspections.

Thirty-nine SIGIR inspections to date have noted significant deficiencies that prevented IRRF projects from meeting their intended objectives. The two main reasons for the shortfall were inadequate contractor construction, which occurred in one-third of all IRRF projects assessed and ineffective contractor or government oversight. 35% of the IRRF projects assessed had ineffective contractor quality control plans or government quality assurance programs. Deficient contractor design had a significant negative impact on 26 of the 95 projects assessed.

TOP TEN IRRF 2 CONTRACTORS

Many projects are executed by contractors. Table 2.13 provides a list of the top ten IRRF 2 contractors based on obligations.

IRAQ SECURITY FORCES FUND

On May 11, 2005, the Congress authorized the creation of the Iraq Security Forces Fund (ISFF) in P.L. 109-13. Administered by DoD, the ISFF is now the second-largest U.S. reconstruction fund created for Iraq.

Projects supported by this fund provide the Iraqi Security Forces (ISF) with equipment, supplies, services, and training, as well as repair, renovation, and construction of facilities.[69] The ISFF assists Iraq's Ministry of Defense (MOD) and Ministry of Interior (MOI), which jointly oversee the ISF.

FUNDING STATUS

The Congress has appropriated $15.44 billion to the ISFF, amounting to 33% of all U.S. relief and reconstruction funds provided to Iraq:
- $5.39 billion in P.L. 109-13 (2005)
- $3.01 billion in P.L. 109-234 (2006)
- $5.54 billion in P.L. 109-289 (2006) and P.L. 110-28 (2007)
- $1.50 billion in P.L. 110-161 (December 2007)

As of April 2008, approximately 73% of ISFF appropriations had been obligated, and 55% had been expended.[70] The ISFF has the largest amount of unexpended U.S. reconstruction funding. For the status of obligated and expended ISFF funds over time, see Figure 2.9.

Figure 2.9

TIMELINE OF ISFF OBLIGATIONS AND EXPENDITURES
$ Billions
Sources: DoD, *Secretary of the Army Updates* (8/31/2005-9/30/2007); GRD, *2207 Finance Report* (6/3/2007); Corps of Engineers Financial Management System, *ISFF Funds Execution Report* (1/8/2008); MNSTC-I, Responses to SIGIR Data Call (4/12/2008) and (4/17/2008)
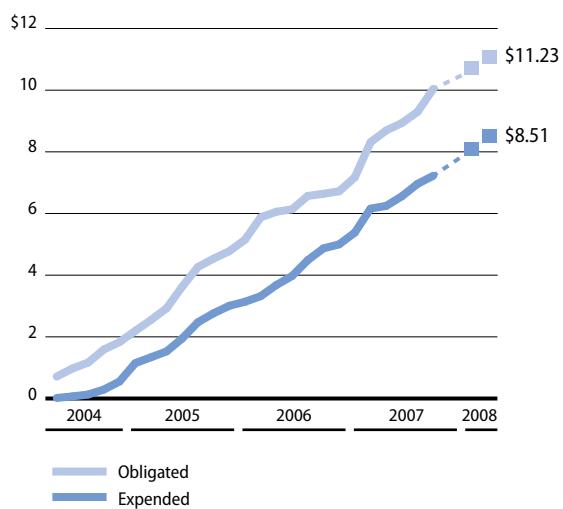
Note: Numbers are affected by rounding. Data for October–December 2007 and February–March 2008 was not available.

BUDGETING

The Multi-National Security Transition Command-Iraq (MNSTC-I) initial spend plan for FY 2007 totaled more than $5.54 billion, allocating more than 65% to MOD, 28% to MOI, and 6.5% to the other activities.[71] Obligations for FY 2007 now total $3.19 billion. For a comparison of the ISFF's FY 2007 spending plans to actual obligations, see Table 2.14.

FY 2007 ISFF Spending ($ billions)

	Original Spend Plan	Actual Plan	Cumulative Obligations
MOD	$3.61	$3.56	$2.21
MOI	$1.57	$1.57	$0.80
Related Activities	$0.36	$0.41	$.18
Total	**$5.54**	**$5.54**	**$3.19**

Source: OMB, *Section 3303 Report*, March 19, 2008 and MNSTC-I, response to SIGIR data call, April 17, 2008.

Note: Numbers are affected by rounding.

Table 2.14

Between 2005 and 2007, approximately $400 million of the ISFF was realigned among MOD, MOI, and related activities in two major reprogrammings. The FY 2005 ISFF reprogramming moved $345 million into MOI activities, $310 million from MOD activities, and $35 million from related activities.[72] In 2007, $50 million was moved from MOD activities to related activities.[73] On April 3, 2008, DoD requested another $610 million reallocation of funds within the FY 2007 ISFF.

MNSTC-I proposed realigning these funds to increase money for several MOD initiatives, including a regional and division training center, Iraqi air force training, logistics units, and for various infrastructure repairs at a flight training school, air bases, and a depot.[74] The MOI funding will be used for training base expansion, establishing a National Police sustainment brigade, and for the construction of police stations and border forts.[75]

ISFF GOING FORWARD

The FY 2008 ISFF budget totals $3 billion,[76] which is a decrease of 46%. ISFF funds for the MOI fell by 23.3%, while the MOD decreased more significantly—by more than 58%.[77] Pro-jected training for related activities was reduced by 25.3%.[78]

SUPPORTING MOD AND MOI

Projects supporting the MOD are funded by $6.71 billion in ISFF obligations, and projects for the MOI receive $4.09 billion in obligations. Related activities receive the remaining $0.43 billion in obligations.[79] For the sector share of ISFF obligations, see Figure 2.10.

Approximately 96% of the ISFF funds four primary sub-activities within the MOD and MOI:[80]

- Equipment and Transportation
- Training and Operations
- Infrastructure
- Sustainment

The remaining 4% of ISFF funding is divided among these programs:[81]

- Quick Response Fund[82]
- Detainee Operations
- Lift and Sustain[83]
- Disarmament, Demobilization, and Reintegration
- Prosthetics

Figure 2.10

Sector Share of ISFF Funds
$ Billions
Source: MNSTC-I, Response to SIGIR Data Call (4/17/2008)
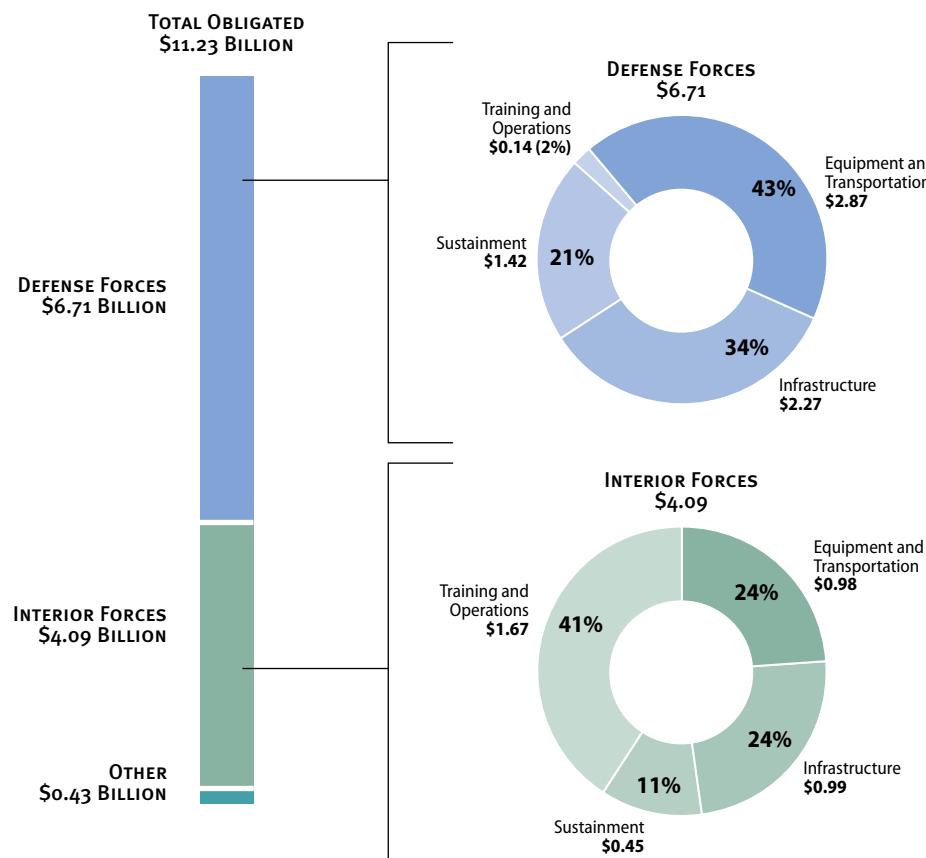
Note: Numbers are affected by rounding. Allocation detail for ISFF funding is unavailable this quarter; therefore, the percentages in this graphic are calculated using dollars obligated.

MNSTC-I continues to adjust the ISFF in response to the changing operating environment in Iraq. As Iraqis assume more responsibility for ISF support programs, the U.S. focus shifts to providing facilities and equipment and to building sustainment and logistics capabilities.[84]

MINISTRY OF DEFENSE (MOD)

The MOD oversees Iraq's military branches, including the Iraqi Army, Air Force, and Navy. Since 2005, 60% of the total ISFF has been obligated to the ministry. Of MOD's five largest obli-

gations, infrastructure accounts for $952 million. Equipment and transportation follows closely, with nearly $950 million, while sustainment projects received almost $334 million.[85] For details, see Table 2.15.

From FY 2006 to FY 2007, ISFF obligations for MOD increased across three of the four sub-activity groups. In training and operations, the ISFF provided money for training centers and schools. This is a result of the rapid growth in military personnel and MNSTC-I's goal to improve the Iraqi military's professionalism,

FIVE LARGEST ISFF SPENDING CATEGORIES—MOD

FISCAL YEAR	SUB-ACTIVITY GROUP	CATEGORY	TOTAL OBLIGATIONS ($ MILLIONS)
2005	Equipment and Transportation	Vehicles, Generators, and Repair Parts	$949.50
2007	Infrastructure	Infrastructure Requirements	$360.30
2007	Sustainment	Logistical Sustainment Concept	$333.80
2005	Infrastructure	Iraqi Army	$309.53
2006	Infrastructure	Infrastructure Requirements	$282.86

Source: MNSTC-I, response to SIGIR data call, April 17, 2008.

TABLE 2.15

requiring a corresponding increase in training facilities. MNSTC-I expects this trend to continue throughout 2008, as the Iraqi Army grows to a force strength of 186,352 soldiers.[86]

Between FY 2006 and FY 2007, MNSTC-I increased funding in equipment and transportation to offset delivery delays in the Foreign Military Sales program. However, the MOD is gradually assuming additional funding responsibilities for the ISF, and MNSTC-I expects this trend to continue.[87]

Cumulative obligations for infrastructure fell between FY 2006 and FY 2007. However, since the SIGIR January 2008 Report, FY 2007 obligations for infrastructure have increased by $130 million.[88] MNSTC-I reported rising obligations

from the creation of additional Iraqi Army units.[89]

Increases in sustainment reflect a commitment to enabling Iraq's military to be "mostly self-sufficient"[90] by December 2008. To support this goal, the ISFF has been used to bolster logistics and sustainment capacity, including construction of base support units, supply and depot facilities, fixed logistics bases, and sustainment training.[91] For a summary of the ISFF obligations for MOD since 2005, see Table 2.16.

MINISTRY OF INTERIOR (MOI)

The MOI, which oversees the Iraqi Police Service (IPS), the National Police, and the Department of Border Enforcement (DBE), receives nearly 36% of ISFF obligations. Nearly 36% of the ISFF has

ISFF OBLIGATIONS TO MOD ($ MILLIONS)

SUB-ACTIVITY GROUP	FY 2005	FY 2006	FY 2007	TOTAL
Equipment & Transportation	$1,315.28	$599.17	$960.00	$2,874.45
Infrastructure	$1,065.35	$684.19	$523.55	$2,273.09
Sustainment	$552.53	$179.80	$688.40	$1,420.73
Training and Operations	$85.65	$19.65	$37.50	$142.80
Total	**$3,018.81**	**$1,482.81**	**$2,209.45**	**$6,711.07**

Source: MNSTC-I, response to SIGIR data call, April 17, 2008.

TABLE 2.16

Five Largest ISFF Spending Categories—MOI

Fiscal Year	Sub-activity Group	Category	Total Obligations ($ millions)
2005	Training and Operations	Contracted Instructor Support	$766.41
2007	Training and Operations	International Narcotics and Law Enforcement	$454.00
2006	Equipment and Transportation	Replenishment and Spare Stock Levels	$332.43
2005	Infrastructure	Iraqi Police	$220.70
2006	Infrastructure	Infrastructure Supporting IPS, NP and DBE	$177.79

Source: MNSTC-I, response to SIGIR data call, April 17, 2008.

Table 2.17

been obligated for projects that support the MOI. The top five obligations for MOI projects mirror the ISFF's overall obligation priority. For details on the five largest obligations, see Table 2.17.

From FY 2006 to FY 2007, ISFF obligations for the MOI decreased in equipment and transportation, infrastructure, and sustainment. Delays by the Ministry of Finance in transferring $252 million into the Foreign Military Sales account has weakened the MOI's ability to acquire equipment and vehicles. As a result, the ISFF has been used as a temporary measure to purchase basic equipment, including weapons, armored vehicles, radios, and body armor. However, MNSTC-I plans to decrease FY 2008 ISFF funding for the MOI.[92]

Obligations in infrastructure declined between FY 2006 and FY 2007. MNSTC-I attributes this decrease to the complicated and lengthy process of acquiring land to house MOI facilities. Police force strength now exceeds the existing facility capacity provided under the former regime. Construction of police and other MOI buildings to house additional personnel has been slowed by

the transfer of land titles.[93] MNSTC-I expects that these hindrances will not continue and anticipates increasing infrastructure obligations in FY 2008.[94]

Although obligations under the ISFF decreased significantly in three MOI sub-activity groups, funding for training and operations rose by nearly 150% between FY 2006 and FY 2007.[95] With the GOI expansion of force strength authorization, training has become a priority. The United States has shifted advisors from police training facilities to Police Transition Teams. To offset this reallocation of human capital, the ISFF was used to fund training programs at Anbar, Camp Dublin, and Numaniyah. MNSTC-I reports that the need for embedded advisors will continue, and obligations for training should remain at current levels during 2008.[96] For a summary of ISFF spending for the MOI, see Table 2.18.

TOP TEN ISFF CONTRACTORS

SIGIR has been reporting quarterly on the challenges of obtaining data for a comprehensive list of the top ten ISFF contractors. Each of the three

ISFF Obligations to MOI ($ millions)

Sub-Activity Group	FY 2005	FY 2006	FY 2007	Total
Equipment & Transportation	$379.79	$494.60	$107.30	$981.69
Infrastructure	$405.50	$475.75	$107.34	$988.59
Sustainment	$242.64	$149.52	$62.40	$454.56
Training and Operations	$938.19	$208.12	$520.00	$1,666.31
Total	**$1,966.12**	**$1,327.99**	**$797.04**	**$4,091.15**

Source: MNSTC-I, response to SIGIR data call, April 17, 2008.

Table 2.18

organizations with contracting authority over the ISFF—MNSTC-I, Joint Contracting Command-Iraq/Afghanistan (JCC-I/A), and the Gulf Region Division (GRD) of the U.S. Army Corps of Engineers—manages a portion of ISFF obligations, and in many cases, the lists overlap.

Last quarter, contract line-item data provided by GRD accounted for 98% of total ISFF obligations. SIGIR compiled a top ten list of contractors from these line items, which accounted for 34% of ISFF obligations. However, SIGIR noted that not all of the contractor names were listed. MNSTC-I accounted for 4% of total ISFF obligations, and JCC-I/A, for 7%.

This quarter, SIGIR again requested contractor data from the three organizations. Again, GRD provided the most comprehensive list. It covered 34.97% of obligations, or nearly $4 billion of $11.2 billion obligated.[97] MNSTC-I's list accounted for 27.92% ($3.14 billion) and JCC-I/A's accounted for 8.16% ($.92 billion) of obligations.[98]

The actual contractor lists from GRD and MNSTC-I were similar, with seven of the ten contractors listed similarly. However, there were differences between the two data sets: GRD reported an additional $723 million in obliga-

tions and $1.03 billion in expenditures. SIGIR continues to use GRD's contractor list because it accounts for the highest percentage of obligations and expenditures. For the top ten list, see Table 2.19.

TRANSFERRING RESPONSIBILITY TO IRAQIS

In FY 2008, ISFF was allocated $2.5 billion less than in FY 2007. As these funds decline, the GOI has been providing more funding for the security ministries. From FY 2006 to FY 2008, GOI allocations to the MOD increased by $1.67 billion, and allocations to the MOI rose by $2.03 billion. Total GOI security funds increased by 23% between 2007 and 2008.[99] For an overview of how the GOI funded these ministries over time, see Table 2.20.

Budget execution remains a persistent problem. Like many of Iraq's ministries, both the MOD and MOI successfully disburse operational budgets (e.g., salary), but executing capital budgets remains difficult. In 2007, the MOD spent only 11.8% of its capital budget, and the MOI spent only 11.1%.[100] Coalition transition teams at both the MOD and the MOI have identified a need for significant ongoing capacity develop-

ISFF Top Ten Contractors ($ millions)

Contractor	Obligated	Expended
Contract to DoS for INL Support	$696	$696
AECOM, Government Services, Inc.	$693	$411
Environmental Chemical Corporation	$672	$551
Contract to DoS for INL Support	$386	$386
Tetra International, LLC	$264	$209
Innovative Technical Solutions, Inc.	$260	$194
American Equipment Company	$257	$165
Iraqi Contractor	$245	$223
Toltest, Inc.	$231	$187
Contract to DoD for DSCA	$224	$224
Total	**$3,928**	**$3,246**

Source: Corps of Engineers Financial Management System, *ISFF Funds Report*, April 4, 2008.

Table 2.19

ment activities related to budget planning and execution.[101]

FUNDING LIFE SUPPORT AND OTHER SERVICES

As life-support and maintenance contracts expire, the United States is not renewing these ISFF-funded agreements and is instead pushing the MOD and MOI to assume responsibility of these services. In response, the MOD and MOI are using a combination of Foreign Military Sales (FMS), direct contracts, or other means to fund these items.[102] MNSTC-I reported that the MOD and MOI acknowledge responsibility for service requirements,[103] but given GOI budget execution challenges, bridge funding for contract extension is under consideration.[104]

MNSTC-I provided a list of 13 contracts for the MOD and 10 contracts for the MOI that will not be renewed. The MOD contracts will cost $107.6 million per year. The most expensive contract is for Humvee maintenance, which is priced at $34 million. The combined seven life-support contracts are valued at $25.6 million. The remaining contracts are for logistics (2 contracts at $22 million), intelligence ($4.8 million), depot maintenance ($15 million), and transportation ($6.2 million).[105]

The ten expiring contracts being assumed by the MOI are more than twice as expensive as those for the MOD, valued currently at $240.1 million per year. Nearly 32% of this cost comes from 4 life-support contracts, and more than 43% from 2 life-support and training contracts. The remaining costs are divided among two maintenance contracts ($36.1 million), one first-responder network contract ($12.3 million), and one command and control network contract ($12 million).[106]

Comparison of GOI Funding to MOD AND MOI ($ billions)

	2006	2007	2008
MOD	$3.40	$4.14	$5.07
MOI	$1.90	$3.18	$3.93
Total	**$5.30**	**$7.32**	**$9.00**

Source: MNSTC-I, responses to SIGIR data call, October 2007 and April 12, 2008.

Note: Numbers are affected by rounding.

Table 2.20

FOREIGN MILITARY SALES

The Foreign Military Sales (FMS) process allows countries to use their money to procure U.S. equipment, training, and services through "government-to-government" channels.[107] The program with Iraq was initiated in 2006,[108] and by April 2008, total FMS deliveries to Iraq were valued at more than $1 billion.[109] However, the GOI has purchased more than $2 billion in materiel through the FMS.[110]

The MOD's FMS purchases began with the transfer of $1.55 billion from the 2006 GOI budget and continued in 2007 with an additional $1.1 billion. FMS is used for such purchases as 42,742 small weapons, 469 up-armored Humvees, and 12,324 radios for the MOD.[111]

A primary concern regarding FMS is their inherently complex process that results in lengthy delivery times.[112] Following an assessment of requirements, the Iraqis develop a letter of request,[113] which must be approved. This process takes between 80-100 days in Iraq and an additional 80-100 days in the United States.[114] Once a request has been accepted, the bidding, manufacturing, and transport processes also delay delivery. MNSTC-I reported that it is working with Iraq to develop sole-source contracting, when essential, and to address the availability of better shipping and transportation to storage facilities.[115]

The MOI's ability to use the FMS has been limited because the Ministry of Finance has not transferred funds into the MOI's FMS account.[116]

ECONOMIC SUPPORT FUND

Since 2003, the Congress has appropriated $3.21 billion to the Economic Support Fund (ESF) for Iraq reconstruction. As of March 31, 2008, $2.48 billion of the ESF had been obligated, and nearly $1.15 billion had been expended—an increase of $538 million from the total reported by SIGIR last quarter.[117] For the status of the ESF, see Figure 2.11.

The Department of State (DoS), as the allocating authority for the ESF, rescinded $76 million from the FY 2007 Supplemental funds for ESF activities in Iraq.[118] Out of this rescission, $10 million will come from the Infrastructure Security Protection program (ISP) and $66 million from the PRT/Provincial Reconstruction Development Council (PRDC) program.[119] For a list of ESF appropriations, see Table 2.21.

DoS uses interagency agreements with several U.S. government entities to execute ESF programs.[120]

BACKGROUND

The ESF is a bilateral economic assistance account for use by U.S. allies and countries in democratic transition to promote U.S. foreign policy objectives. The fund assists Middle East peace negotiations and finances economic stabilization programs. These are the fund's primary objectives:[121]

- Increase the role of the private sector in the economy, reduce government controls over markets, enhance job creation, and improve economic growth.

CONGRESSIONAL APPROPRIATIONS TO THE ECONOMIC SUPPORT FUND FOR IRAQ

U.S. Fund	Public Law(s)	Appropriated
ESF FY 2003	P.L. 108-7	$0.04 billion
ESF FY 2003 Supplemental	P.L. 108-11	$0.01 billion
ESF FY 2006 Appropriations for DoS	P.L. 109-102	$0.06 billion
ESF FY 2006 Supplemental	P.L. 109-234	$1.49 billion
ESF FY 2007 Supplemental	P.L. 110-28	$1.48 billion
ESF FY 2007 Continuing Resolutions	P.L. 110-92, P.L. 110-116, P.L. 110-137, P.L. 110-149	$0.12 billion
ESF FY 2008 Consolidated Appropriations Act	P.L. 110-161	$0.02 billion
Total		**$3.21 billion**

Source: Office of Management and Budget, April 2008.

Note: Numbers are affected by rounding. On April 18, 2008, OMB reported that the FY 2007 Supplemental Appropriation was rescinded by $76 million.

TABLE 2.21

FIGURE 2.11

STATUS OF ESF FUNDS
$ Billions
Sources: P.L. 108-7; P.L. 108-11; P.L. 109-102; P.L. 109-234; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; ITAO, *Essential Indicators Report* (3/27/2008); GRD, Response to SIGIR Data Call (4/3/2008); USAID, Response to SIGIR Data Call (4/14/2008); ITAO, Response to SIGIR Data Call (4/3/2008); USAID, Response to SIGIR Data Call (4/16/2008)

TOTAL APPROPRIATED $3.21
TOTAL OBLIGATED $2.48
TOTAL EXPENDED $1.15
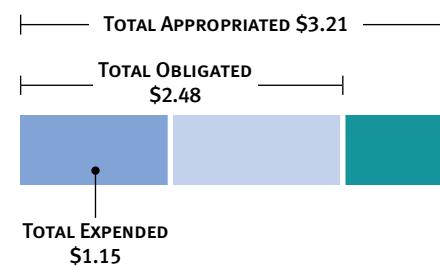
Note: Numbers are affected by rounding. Funding details were not available for approximately $30 million in FY 2006 base allocations or $15 million in FY 2008 allocations.

ESF Allocations to GRD and USAID Programs ($ millions)

USAID Programs	Total ESF Allocation
Community Stabilization Program	$514
PRT Local Governance Program	$245
Capacity Development Programs	$200
Community Action Program	$135
PRT Quick Response Fund	$100
Inma – Private Sector Agribusiness Development	$93
Democracy and Civil Society Programs	$88
Economic Governance II – Policy & Regulatory Reforms	$88
Provincial Economic Growth Program	$60
Iraqi Refugees (Jordan)	$38
Marla Ruzicka Iraqi War Victims Fund (transferred to IRRF)	$25
Total for USAID	**$1,586**

DoS Programs (Implemented by GRD)

PRT/PRDC Projects[a]	$700
O&M Sustainment Program	$285
Infrastructure Security Protection Program[ab]	$227
Plant-level Capacity Development & Technical Training	$60
Total for GRD	**$1,272**
Total for GRD and USAID Programs	**$2,858**

Sources: GRD, response to SIGIR data call, April 5, 2008; ITAO, *Essential Indicators Report*, March 27, 2008; OMB, response to SIGIR data call, March 11, 2008.

Note: Numbers are affected by rounding.

[a] ITAO was allocated $475 million in FY 2007 Supplemental funds for the PRDC program; $385 million was committed to GRD for execution of the program. On April 18, 2008, OMB reported that the $76 million rescinded this quarter was taken from FY 2007 ESF funding. DoS will shift $10 million of FY 2006 ESF money from GRD's ISP program to GRD's PRDC program and cut the entire $76 million of the FY 2007 ESF for the PRT/PRDC program. This rescission is not accounted for in this table because GRD is awaiting a modification to an agreement to reduce its allocated amount.
[b] On April 7, 2008, GRD noted that an additional $20 million was reallocated from ISP to a program supporting Iraq refugees.

TABLE 2.22

Top Ten ESF Contractors ($ millions)

Contractor	Partnering Agency	Obligated	Expended
International Relief and Development	USAID	$514	$186
Research Triangle Institute	USAID	$245	$74
Management System International	USAID	$204	$53
Louis Berger Group	USAID	$152	$20
CHF International	USAID	$145	$55
Development Alternatives, Inc.	USAID	$130	$5
BearingPoint, Inc.	USAID	$85	$36
Wamar International	GRD	$62	$37
Parsons Brinckerhoff	GRD	$58	$39
Iraqi Contractor - 4767	GRD	$53	$30
Total		**$1,648**	**$535**

Sources: Corps of Engineers Financial Management System, April 4, 2008; USAID, *Activities Report*, April 14, 2008.

Note: Numbers are affected by rounding. This list is produced by compiling contract-level obligation data provided by GRD and USAID.

TABLE 2.23

- Develop and strengthen the institutions necessary for sustainable democracy.
- Strengthen the capacity to manage the human dimension of the transition to democracy and a market economy and to help sustain the neediest sectors of the population during the transition.

DoS is responsible for managing project identification, priorities, requirements, and funding for ESF projects. Under policy guidance from DoS, the U.S. Agency for International Development (USAID) and the U.S. Army Corps of Engineers, Gulf Region Division (GRD) implement most ESF programs. As the primary executing agencies, GRD and USAID received approximately 89% of ESF allocations. For an overview of their programs as of March 31, 2008, see Table 2.22.

TOP TEN ESF CONTRACTORS

Obligations to the top ten ESF contractors total 51% of all appropriations to the fund. Table 2.23 shows the largest ESF contracts awarded by GRD and USAID.

CHALLENGES IN SPENDING ESF FUNDS

A SIGIR fact sheet published in July 2007 found that it takes much longer to move ESF funds from appropriation to field activities than for the Commander's Emergency Response Program (35 days) and Iraq Security Forces Fund (29 days) monies.[122] The initial allotment of FY 2006 Supplemental funds took 85 calendar days to

be provided to USAID, and up to 167 calendar days to be provided for DoS field activities that were implemented in Iraq by the Department of Justice (DoJ), GRD, and the Iraq Transition Assistance Office (ITAO), formerly IRMO.[123]

This quarter, GRD noted several challenges in executing ESF funds:[124]

- **Involvement of multiple entities:** Examples of agencies include PRDCs, Provincial Councils (PCs), Director Generals, Ministries, ITAO, Office of Provincial Affairs (OPA), and GRD.
- **Personnel turnover:** There remain recurring coordination and changeover challenges.
- **Change of scope:** Multiple revisions frequently are made to projects before and after approval.
- **Funding allocation limits for provinces:** The rate of expenditure of allocated funds varies among the provinces. Some provinces have yet to award allocated amounts, and others have consumed more than or equal to their allocation.

This quarter, SIGIR announced an audit of ESF program expenditures, which will focus on determining the amounts allocated, obligated, and expended across the security, economic, and political tracks. Other objectives of the audit include determining the effectiveness of management information systems and how program management affects the timing and use of funds within each program areas and tracks.

TRANSFERRING ESF PROJECTS

This quarter, a SIGIR report found that the U.S. process for transferring completed projects to the

GOI did not include a mechanism for transferring ESF-funded projects. The draft interagency agreement between the U.S. agencies—as well as the draft memorandum of understanding between the agencies and the GOI—includes only IRRF-funded projects. The draft agreements do not address more than $3.5 billion in projects supported by the ESF, CERP, and the ISFF. [125]

ESF PROGRAMS

ESF program funding is aligned along security, economic, and political tracks:

- The **security track** receives the largest allocation of funds, about 63%, to strengthen the coordination between the GOI and local groups and assist in securing critical infrastructure to improve the GOI's ability to deliver essential services.
- The **economic track** receives 18% of ESF funding, promoting development through sustainment of assets, training programs, increased access to finance, and other economic and capacity-building activities.
- The **political track** receives 19% of total funding, assisting the GOI in strengthening core ministry functions and supporting governance-building initiatives.

Figure 2.12 shows the allocations of ESF funds by track. For a list of ESF programs, their funding status, and an update on activities, as reported by the agencies executing the programs and other available reports, see Figure 2.13.

Figure 2.12

ALLOCATIONS OF ESF FUNDS BY TRACK
$ Billions, % of $3.11 Billion Allocated
Source: ITAO, Response to SIGIR Data Call (1/4/2008); ITAO, *Essential Indicators Report* (3/27/2008); ITAO, Response to SIGIR Data Call (4/3/2008), OMB, Response to SIGIR Data Call (4/18/2008); DoS, *Section 2207 Report*, January 2008

Economic $0.55 — 18%
Political $0.59 — 19%
Security $1.97 — 63%
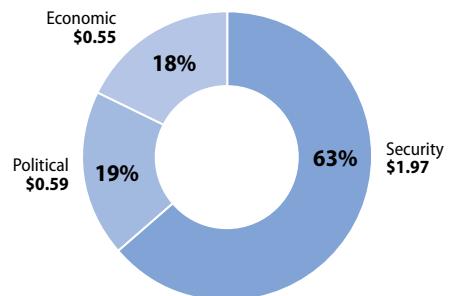
Note: Numbers are affected by rounding. The total amount represented is approximately 97% of all appropriated ESF funds for Iraq. Program and track-level details were not available for approximately $96 million of ESF funds.

Figure 2.13

STATUS OF ESF PROGRAMS IN THE SECURITY TRACK ($ MILLIONS)

ESF PROGRAM	STATUS OF PROGRAM ALLOCATIONS	ALLOCATION AS A % OF ESF APPROPRIATIONS	PROGRAM UPDATE SINCE LAST QUARTER
PRT/PRDC Projects[a]	Total Allocated $700.00 / Total Obligated $294.11 / Total Expended $98.36 / **Sources:** GRD, response to SIGIR data call, April 5, 2008; DoS, *Section 2207 Report*, January 2008.	22%	**Description:** Small projects intended to improve provincial government capacity to provide essential services. PRTs work with Iraqi-led PRDCs to compile a list of projects for approval by the U.S. Embassy. **Status:** As of March 30, 2008, GRD had awarded 188 contracts, valued at more than $280 million, using FY 2006 Supplemental ESF funding. Also, 36 projects, valued at nearly $55 million, were funded from the FY 2007 Supplemental ESF.
Local Governance Program (LGP)	Total Allocated $245.00 / Total Obligated $245.00 / Total Expended $73.71 / **Sources:** DoS, *Section 2207 Report*, January 2008; USAID, response to SIGIR data call, April 14, 2008.	8%	**Description:** The LGP works closely with Iraqis in all 18 provinces, actively supporting and complementing PRT initiatives to promote diverse and representative citizen participation in provincial, municipal, and local councils. **Status:** This quarter, the LGP assisted in the expansion of the Amanat Training Center in Baghdad. The program supported the Kurdish Regional Government (KRG) to expand the economic planning segment of three provincial development strategies. As of December 31, 2007, the LGP trained 2,000 council members and key staff in 380 departments and all of the provincial councils. The LGP also assisted in the development of a draft Local Governance Code that was agreed to by all 18 provinces.
PRT Quick Response Fund	Total Allocated $125.00 / Total Obligated $120.62 / Total Expended $11.56 / **Source:** USAID, response to SIGIR data call, April 14, 2008.	4%	**Description:** Mechanisms for PRTs and ePRTs to support local neighborhood and government officials or members of community-based organizations, as well as small project needs for the provinces. **Status:** As of February 2008, the ePRT QRF program has 55 active or completed projects, valued at $1.5 million. The QRF program approved 79 grants, valued at nearly $10 million.
Community Stabilization Program in Strategic Cities	Total Allocated $514.00 / Total Obligated $514.00 / Total Expended $297.58 / **Sources:** USAID, response to SIGIR data call, April 14, 2008; DoS, *Section 2207 Report*, January 2008.	16%	**Description:** Short-term projects in neighborhoods and districts employing Iraqi youth in public works, employment generation, business development, and training. **Status:** A small subset of projects were halted in Baghdad because of an investigation into allegations of waste, fraud, and abuse. CSP is in the process of developing a network of employment service centers to help unemployed Iraqis find long-term jobs. As of March, 2008, the program was employing nearly 59,000 Iraqis.
Infrastructure Security Protection (ISP) Program[b]	Total Allocated $227.00 / Total Obligated $148.72 / Total Expended $73.38 / **Sources:** GRD, response to SIGIR data call, April 5, 2008.	7%	**Description:** Projects improving infrastructure in oil, water, and electricity sectors, such as security barrier protection, hardening of structures and plants, and implementation of controlled access facilities. **Status:** As of March 31, 2008, GRD programmed 60 projects, valued at more than $127 million. 24 projects, valued at $35 million, have been completed. 36 projects, valued at more than $92 million, are ongoing. Five additional projects, valued at $29 million, have yet to be started.

STATUS OF ESF PROGRAMS IN THE SECURITY TRACK ($ MILLIONS)

ESF PROGRAM	STATUS OF PROGRAM ALLOCATIONS	ALLOCATION AS A % OF ESF APPROPRIATIONS	PROGRAM UPDATE SINCE LAST QUARTER
COMMUNITY ACTION PROGRAM	Total Allocated $135.00 — Total Obligated $135.00 — Total Expended $94.96 Sources: USAID, response to SIGIR data call, April 14, 2008; DoS, *Section 2207 Report*, January 2008.	4%	**Description:** Projects strengthen links between the Iraqi government and local communities by facilitating community coordination with local and provincial governments and promoting transparency and local ownership of public goods. **Status:** USAID expanded the Community Action Program (CAP) by $55 million, doubling the pace of community projects. Four new offices were established in the Anbar province. Almost 850 community projects were completed, with 425 new projects underway across all provinces. CAP restructured to better coordinate with the efforts of the PRTs, and the program developed a project database that is accessible online by the USAID PRT representatives. Protocols have been worked out for communication by the project with the PRTs. CAP also restructured to emphasize geographic segmentation to better respond to and coordinate with the PRTs. As of March 31, 2008, 609 CAP projects have been completed, and more than 7.9 million Iraqis benefited from the projects. CAP generated 22,255 short-terms jobs and 3,814 long-term jobs. Since October 2007, 367 CAP projects have been initiated.
MARLA RUZICKA IRAQI WAR VICTIMS FUND	Total Allocated $25.00 — Total Obligated $20.00 — Total Expended $15.00 Source: USAID, response to SIGIR data call, April 14, 2008. Note: All ESF allocations to this program are subsequently transferred to the IRRF.	1%	**Description:** Program aims to assist civilian victims of armed conflict; ensures that victims of conflict are specifically highlighted for funds to provide relief from severe suffering caused by conflict. **Status:** Under the CAP, the fund implemented 699 projects, directly benefiting almost 330,000 war victims and their families. USAID OIG conducted an audit and found difficulties in determining which side caused the harm during cross-fire exchange between U.S. or coalition forces and insurgents. This complicates payment to victims. Also, one implementing partner in one region focused resources on community infrastructure projects instead of family payments.

Sources: Funding numbers are compiled from OMB, response to SIGIR data call, March 11, 2008; GRD, response to SIGIR data call, April 3, 2008; ITAO, *Essential Indicators Report,* March 27, 2008; USAID, response to SIGIR data call, April 14, 2008; ITAO, response to SIGIR data call, January 4, 2008; OMB, response to SIGIR data call, January 2, 2008.

Note: Numbers are affected by rounding. SIGIR did not receive reporting on obligated and expended amounts for approximately $30 million in FY 2006 base allocations. SIGIR received reporting on track-level allocations for 97% of ESF appropriations. Program and track-level details were not available for approximately $96 million of ESF funds.
a ITAO was provided $475 million of which $385 million was allocated to GRD for execution of the PRDC program. GRD reported that $66 million of the rescission will come from that allocated amount.
b GRD reported that the allocated amount to the ISP was reduced to $227 million. The $10 million rescission from this quarter is not reflected because the allocation will not be reduced until a modification to the agreement is signed. OMB, response to SIGIR data call, April 18, 2008, noted that the entire $76 million rescission was from FY 2007 ESF funding. DoS will shift $10 million of FY 2006 money from the ISP to the PRDC and cut $76 million from FY 2007 ESF from the PRDC program.

STATUS OF ESF PROGRAMS IN THE ECONOMIC TRACK ($ MILLIONS)
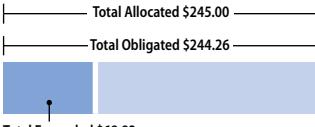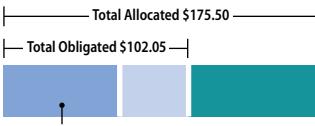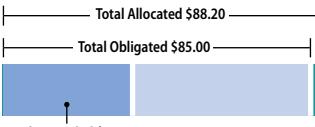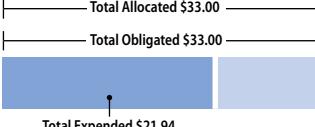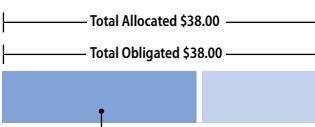
ESF PROGRAM	STATUS OF PROGRAM ALLOCATIONS	ALLOCATION AS A % OF ESF APPROPRIATIONS	PROGRAM UPDATE SINCE LAST QUARTER
OPERATIONS AND MAINTENANCE (O&M) SUSTAINMENT	Total Allocated $285.00 Total Obligated $262.18 Total Expended $169.64 Source: GRD, response to SIGIR data call, April 5, 2008.	**9%**	**Description:** Projects provide in-plant services, consumables, and spare parts at major power plants; water and wastewater plants; and health, transportation, and communication facilities to assist Iraqis with sustainment efforts. **Status:** Close-out processing of all completed Phase II WSSP projects was initiated this quarter and should be completed by June 2008. Close-out processing of all completed Phase III WSSP projects was initiated, and processing should be complete by August 2008. Close-out processing of all completed Electricity Sector O&M projects was initiated and processing should be complete by June 2008. The Generation sub-sector $77.5M OMS contract (O&M at 6 generation power plants) is progressing and will be completed in early September 2008. All other O&M projects remaining to finish will be complete by July 2008 and moved to close-out processing.
INMA – PRIVATE SECTOR AGRIBUSINESS DEVELOPMENT	Total Allocated $92.50 Total Obligated $92.50 Total Expended $11.48 Source: USAID, response to SIGIR data call, April 14, 2008.	**3%**	**Description:** Projects aim to improve agricultural quality and productivity, restore soil and water management systems, increase agribusiness competitiveness, and increase domestic and foreign partnerships. **Status:** Inma supported a maize-production project in Anbar province, introducing new varieties of maize to bolster the supply of feed for livestock. The program provided improved seed, fertilizer, and technical assistance.
PLANT-LEVEL CAPACITY DEVELOPMENT & TECHNICAL TRAINING	Total Allocated $60.00 Total Obligated $42.86 Total Expended $33.47 Source: GRD, response to SIGIR data call, April 5, 2008.	**2%**	**Description:** O&M training programs for plant operators and technicians at major electricity power plants; water and wastewater plants; and health, transportation, and communication facilities. **Status:** The Capacity Development (CD) program is working the final phases of training and O&M/Sustainment efforts contracted under FY 2006 FAS for the Public Works & Water (WSSP) sector; the Electricity sector; the Building, Health & Education (BH&E) sector; and the Transportation & Communications (T&C) sector. Overall, less than 5% of the total $345 million ESF O&M program is yet to be obligated.
PROVINCIAL ECONOMIC GROWTH PROGRAM	Total Allocated $59.60 Total Obligated $50.37 Total Expended $8.6 Source: USAID, response to SIGIR data call, April 14, 2008.	**2%**	**Description:** Program designed to strengthen the Iraqi economy at the provincial level and assist Iraq in the transition from a centrally planned and controlled model to a transparent market-based system. There are three main components to the PEG program: private-sector agribusiness development, strengthening Iraqi businesses to grow selected sectors of the economy, and expanding commercial lending to increase access to finance. **Status:** The Izdihar contract ended on March 31, 2008. PEG was awarded on January 2008, but mobilization began in early April.
TARGETED DEVELOPMENT PROGRAM	Total Allocated $57.40 Total Obligated $5.46 Total Expended $0.46 Sources: ITAO, response to SIGIR data call, April 3, 2008.	**2%**	**Description:** A funding tool for non-governmental organizations (NGOs) to support economic, social, and governance initiatives in areas of conflict in Iraq; programs focus on conflict mitigation, building national unity, and other developmental efforts. **Status:** The Targeted Development Program is in its second round of grant review; 46 grants are being considered for funding. The first round of grant review and approval resulted in approval for funding of 8 grants ($8.4 million total) for these programs: Pilot Public Defender Program; Women's Employment Initiative; Specialty Physician Training; NGO Training; Community Multi-Use Facility; Youth Forums; Reconciliation; Youth Education Program.

Sources: Funding numbers are compiled from OMB, response to SIGIR data call, March 11, 2008; GRD, response to SIGIR data call, April 3, 2008; ITAO, *Essential Indicators Report,* March 27, 2008; USAID, response to SIGIR data call, April 14, 2008; ITAO, response to SIGIR data call, January 4, 2008; OMB, response to SIGIR data call, January 2, 2008.

Note: Numbers are affected by rounding. SIGIR did not receive reporting on obligated and expended amounts for approximately $30 million in FY 2006 base allocations. SIGIR received reporting on track-level allocations for more than 97% of ESF appropriations. Program and track-level details were not available for approximately $96 million of ESF funds.

STATUS OF ESF PROGRAMS IN THE POLITICAL TRACK ($ MILLIONS)

ESF PROGRAM	STATUS OF PROGRAM ALLOCATIONS	ALLOCATION AS A % OF ESF APPROPRIATIONS	PROGRAM UPDATE SINCE LAST QUARTER
CAPACITY DEVELOPMENT	Total Allocated $245.00 Total Obligated $244.26 Total Expended $68.83 Source: USAID, response to SIGIR data call, April 14, 2008.	8%	**Description:** Projects strengthen leadership capacity of key government offices, assist with budget execution, improve delivery of essential services, and build capacity of the GOI to manage training programs to build key public administration functions. **Status:** As of March 31, 2008, the Tatweer project has trained more than 8,400 civil servants in public administration core areas, as well as procurement, statistical management, and contract and project management. USAID has been working on restarting the Iraqi Financial Management Information System (IFMIS). Reconditioning of the server and other hardware and training of the Ministry network engineers and functional specialists is almost complete.
DEMOCRACY AND CIVIL SOCIETY	Total Allocated $175.50 Total Obligated $102.05 Total Expended $62.89 Source: USAID, response to SIGIR data call, April 14, 2008.	5%	**Description:** Projects support the Council of Representatives in democracy-building efforts—particularly to encourage women and minorities to participate in the political process. **Status:** There were 19 concept papers reviewed and one award made to Relief International, valued at approximately $25 million. The remaining funds are being reprogrammed for the new Iraq legislative strengthening program, which is currently in the design phase.
ECONOMIC GOVERNANCE II, POLICY & REGULATORY REFORMS	Total Allocated $88.20 Total Obligated $85.00 Total Expended $35.00 Source: USAID, response to SIGIR data call, April 14, 2008.	3%	**Description:** Projects assist the GOI in reforming tax, fiscal, monetary, and customs policies and build the capacity of the Central Bank of Iraq and assist the Ministry of Finance in modernizing the banking sector, complying with the SBA, and promoting private sector-led growth in Iraq. **Status:** A Memorandum of Understanding (MOU) has been signed by the Minister of Finance (MOF) and Action Mission Director of USAID to restart the Financial Management Information System (FMIS). As of March 31, the FMIS has been restored to working order. This quarter, six network engineers and functional specialists were trained by USAID advisors in maintenance and troubleshooting. The MOF is in the process of procuring a contractor for VSAT connection. Also, USAID advisors and the World Bank are working with GOI in implementing the new Unified Pension Law.
REGIME CRIMES LIAISON OFFICE	Total Allocated $33.00 Total Obligated $33.00 Total Expended $21.94 Sources: DoJ, "Fact Sheet: Department of Justice Efforts in Iraq, February", February 18, 2008; DoS, Section 2207 Report, January 2008.	1%	**Description:** Ensures the security and safety of witnesses and victims of crimes under investigation by the Iraqi High Tribunal (IHT). **Status:** Developed and began executing the plan for the drawdown of RCLO operations and staff in anticipation of transferring responsibility to the Iraqis. The Office assisted the IHT with preparation of the Kuwait Invasion, Halabja, Marsh Arabs, and Merchants cases. RCLO conducted training for IHT Appellate, Trial Chamber, and Investigative Judges. The transfer of Secure Evidence files from Khademiya to the IHT courthouse compound in the International Zone was completed. Structural preparations for consolidation of the witness security camps and their future turnover to the U.S. Marshals Service were concluded.
IRAQI REFUGEES (JORDAN)	Total Allocated $38.00 Total Obligated $38.00 Total Expended $23.00 Source: DoS, Section 2207 Report, January 2008.	1%	**Description:** United Nations Education appeal aims to enroll an additional 150,000 Iraqi children in Jordanian and Syrian schools; total program funding is $130 million, of which the U.S. contribution is $30 million of ESF funds and $9 million of Emergency Refugee and Migration Assistance funds. **Status:** Approximately 100,000 Iraqi refugee children enrolled in public and private schools in Jordan and Syria for the 2007-2008 academic school year. UNHCR provided approximately 35,000 uniforms and school stationery to school children from families who could not afford uniforms. Rehabilitation of more than 130 educational facilities. Scholarships to 300 Iraqi refugee students were provided to public and private universities in Syria.

Sources: Funding numbers are compiled from OMB, response to SIGIR data call, March 11, 2008; GRD, response to SIGIR data call, April 3, 2008; ITAO, *Essential Indicators Report,* March 27, 2008; USAID, response to SIGIR data call, April 14, 2008; ITAO, response to SIGIR data call, January 4, 2008; OMB, response to SIGIR data call, January 2, 2008.

Note: Numbers are affected by rounding. SIGIR did not receive reporting on obligated and expended amounts for approximately $30 million in FY 2006 base allocations. SIGIR received reporting on track-level allocations for 97% of ESF appropriations. Program and track-level details were not available for approximately $96 million of ESF funds.

Figure 2.14

PROVINCIAL RECONSTRUCTION TEAM PROGRAM IN IRAQ
Source: SIGIR Analysis of OPA Data (3/6/2008)

△ PST	6
▲ ePRT	13
○ U.S.-led PRT	9
⬤ Coalition-led PRT	3
Total	31
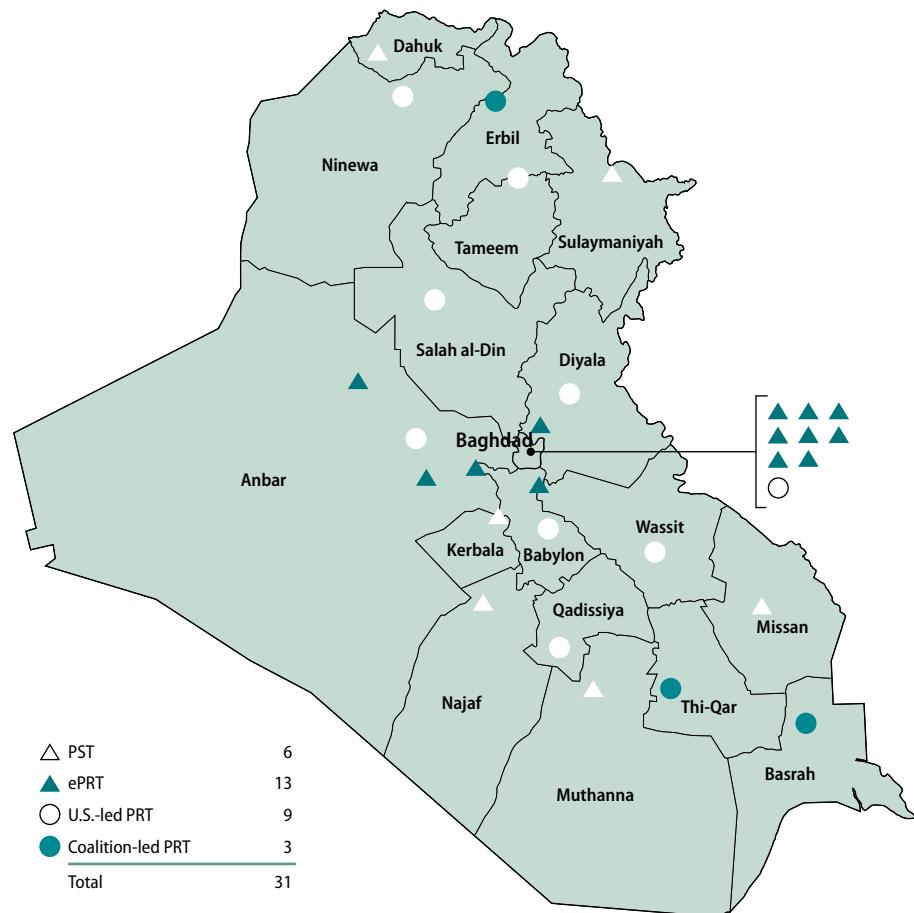
Note: Locations are approximate.

PROVINCIAL RECONSTRUCTION TEAMS

The ESF is the primary funding source for program activities that support the Provincial Reconstruction Teams (PRTs). As of March 31, 2008, more than 33% of the ESF has been allocated to PRT programs.

First established in Iraq in November 2005, the PRT initiative is a civilian and military interagency effort that serves as the primary interface between U.S. and Coalition partners, as well as provincial and local governments in Iraq's 18 provinces.[126] As part of its core mission, the PRT program assists provincial governments in meeting these goals:[127]

- developing a transparent and sustained capability to govern
- promoting increased security and rule of law
- promoting political and economic development
- providing provincial administration necessary to meet the basic needs of the population

As of March 2008, nearly 800 people (425 under COM authority)[128] were staffing 25 PRTs,[129] including 12 permanent PRTs and 13 "embedded" PRTs (ePRTs).[130] Approximately 375 people are overseen by MNF-I and other military enti-

PRT PROGRAM FUNDING ($ MILLIONS)

PRT FUNDING CATEGORY	FY 2006 SUPPLEMENTAL ENACTED	FY 2007 SUPPLEMENTAL ENACTED
Operational Funding	**$230[a]**	**$414**
Program Funding from ESF		
PRT/PRDC Projects	$315	$385[b]
PRT Local Governance Program	$155	$90
Quick Response Fund		$125
Total ESF	**$470**	**$600**
Grand Total	**$700**	**$1,014**

Source: DoS, reported in SIGIR Audit 07-015, "Review of the Effectiveness of the Provincial Reconstruction Team Program in Iraq," October 18, 2007; ITAO, response to SIGIR data call, October 18, 2007; GRD, response to SIGIR data call, April 7, 2008; ITAO, response to SIGIR data call, April 3, 2008.

Note: This quarter, ITAO reported that FY 2008 money has not been received.
a   None of the operating funds from FY 2006 were obligated or expended in FY 2006; they were carried forward into FY 2007.
b   GRD noted that ITAO received $475 million in FY 2007 Supplemental funds for the PRT/PRDC program. ITAO allocated $385 million of this amount to GRD for this program.

TABLE 2.24

ties.[131] Provincial Support Teams (PSTs) are positioned in the north, at Dahuk and Sulaymaniyah, and in the south, at Kerbala, Najaf, Muthanna, and Missan.[132] The PST in Qadissiya transitioned to a PRT in March 2008.[133] For the locations of PRT organizations across Iraq, see Figure 2.14.

Supported by the ESF, the PRT/PRDC program, Quick Response Fund (QRF), and Local Governance Program (LGP) directly support the activities of the PRTs in the provinces. For an overview of funding for the PRT program, including operational spending, see Table 2.24.

EMBEDDED PRTS

In January 2007, the President announced that the United States would double the number of PRTs in Iraq as part of the *New Way Forward.* The number of PRTs more than doubled—from 10 to 25.[134] The new organizations were embedded ePRTs within Brigade (Army) and Regimental (Marine) Combat Teams (B/RCTs) participating in the surge of U.S. forces into the Baghdad,

Anbar, and Diyala provinces.[135] These BCTs are expected to be withdrawn by August 2008; however, the future of the ePRTs is not certain.[136]

The ePRTs began as four-person interagency teams, but expanded to include civilian experts in a broad range of specialties.[137] They were staffed with DoD civilians and members of the National Guard and Army Reserve until funds became available to DoS for the hire of civilian contractors. As of March 2008, the process of deploying civilian experts continued.

PRT/PRDC PROGRAM GOALS

The PRT/PRDC program was allocated $315 million in FY 2006 Supplemental funds and $385 million in FY 2007 Supplemental funds[138] made available through the ESF.[139] The program operates under these main objectives:[140]

- Strengthen the links between the GOI and local communities.
- Improve the capacity of provincial governments to deliver essential services.

PRT/PRDC Projects FY 2006 Program Awards, as of 3/31/2008
$ Millions
Source: ITAO, Response to SIGIR Data Call (4/3/2008)
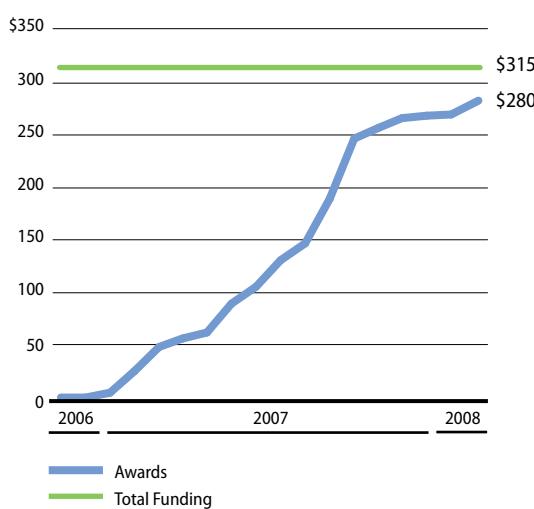
**Note:** Numbers are affected by rounding.

PRT/PRDC Projects FY 2007—Approved and Awarded Amounts
$ Millions
Source: ITAO, Response to SIGIR Data Call (4/3/2008)
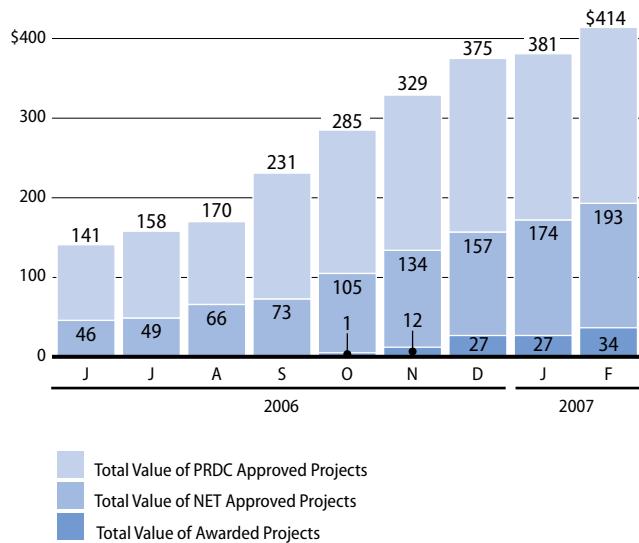
Note: Numbers are affected by rounding.

- Ensure that reconstruction efforts are meeting basic needs and essential services for the Iraqi people.

PRT/PRDC projects are generally small (averaging approximately $1.5 million) and must benefit at least 100 people.[141] Examples include projects to improve utilities, schools, roads, and water supply. The program has evolved from assisting with basic services to supporting economic development.

The PRT/PRDC Process

Choosing and scheduling projects involves several stages of coordination between PRT staff and local Iraqi government members. First, Iraqis at the provincial level identify potential projects that will best serve the local population. After a public forum, these projects are presented to the Provincial Council (PC), which makes final approval and sets prioritization.[142] The Provincial Program Manager, who is part of the PRT, acts as the liaison to the PC and helps to initiate development of the project package.[143]

The PRDC, PRT, and GRD work collectively to develop the full project package and nominate the project to the U.S. Embassy for approval. As of March 31, 2008, GRD had awarded contracts for 188 projects, valued at more than $280 million, using FY 2006 Supplemental ESF funding. Also, nearly $55 million in FY 2007 Supplemental funding was awarded for 36 projects.[144] For the status of PRT/PRDC projects funded by these appropriations, see Figure 2.15 and Figure 2.16.

The PRT/PRDC program is continuing to evolve, transitioning from a construction-centered approach toward a focus on sustainment and planning, including:[145]

- strategic planning for future infrastructure projects
- planning for life-cycle maintenance
- establishment of infrastructure O&M services

This transition aims to strengthen the capacity of provincial government staffs. GRD expects to implement this approach once 2008 Iraqi provincial budgets contain O&M services and provincial/municipal planning projects.[146] Given the integration between the Iraqi-led PRDCs and the U.S./Coalition-led PRTs, this program aims to build the capacity to execute funding.

QUICK RESPONSE FUND

The PRT Quick Response Fund (QRF) is a newer ESF program begun in mid-2007.[147] The program provides PRTs with a rapid-response funding source to execute quick-turnaround, high-value projects. DoS has allocated $125 million for QRF in FY 2008.[148]

As of March 11, 2008, the QRF program had 690 active or completed projects, valued at $13 million.[149] The projects span the spectrum from agricultural equipment to school supplies.

The QRF program has approved 79 grants, valued at nearly $10 million as of March 31, 2008.[150] These grants cover a wide range of activities, including school and hospital rehabilitation and equipment, court enhancement, agriculture, media, journalism, and vocational training. USAID works mainly with Iraqi local non-governmental organizations (NGOs), local associations, and civil society organizations for conflict mitigation.[151] For a snapshot of the largest grants, see Table 2.25.

As of March 31, 2008, USAID had received and activated 95 projects, valued at more than $12 million. Of these, 84 projects—valued at nearly $10.7 million—are active, and 4 projects valued at $5.6 million are pending.[152] USAID reported that the Iraq Rapid Assistance Program expended $1.8 million, as of March 31, 2008.[153] Grants, direct procurements, and micro-purchases provide funding to PRT projects. For a summary of tools available to organizations that seek funding from the QRF, see Table 2.26.

In December 2007, DoS signed 60 grant agreements, valued at nearly $5 million, and executed micro-purchases and direct procurements, valued at nearly $4 million. Seven grant proposals totaling $1.181 million are at the final stages of award.[154] These awards will support a woman-owned small catering business, independent media, and a variety of small agricultural projects.

In February 2008, a one-month advanced computer training began for judges in Najaf, using QRF funding. If this training is successful, it will be extended to Kerbala.[155]

LOCAL GOVERNANCE PROGRAM

USAID's Local Governance Program (LGP) supports Iraq's efforts to establish local governments that are transparent, accountable, and responsive to their constituents. LGP, which began in April 2003, is implemented by Research Triangle International (RTI). The program was renamed LGP II when it expanded in 2005 to include a new phase of support for local governance programs in Iraq. Under terms of its contract, the LGP is conducting activities to accomplish these

Snapshot of Largest QRF Grants

Grant Title	Location	Amount	Date Approved
Iraq Microfinance Initiative – Iskandariya	North Babylon	$500,000	3/13/2008
Education and Advice Center (Program Equipment, Training, and Evaluation)	Baghdad	$355,415	3/20/2008
Baghdad PRT: Independent Newspaper Support – Albilad Ayom	Baghdad	$244,350	10/30/2007
Tisa Nisan Market Renovation	Baghdad 2/Loyalty/ePRT	$205,940	2/13/2008
Ministry of Municipalities: Creating Citizen-friendly Government Services	Erbil	$200,000	2/17/2008
Adhamiyah Community Social Sector Funding Program	Baghdad 3/Taji/ePRT	$200,000	1/31/2008
Siphon #1 from the Euphrates River: Irrigate farm land – Euphrates #1	Anbar	$200,000	1/29/2008
Iraqi Al-Aman Center – Kirkuk Operational Capital Program	Tameem	$200,000	1/29/2008
Total		$2,105,705	

Source: USAID, response to SIGIR data call, April 14, 2008.

Table 2.25

Summary of Quick Response Fund Tools

Tool	Description	Amount Deployable
Micro-purchase	Similar to the CERP process, micro-purchases would allow PRTs/ePRTs to procure items or services that PRT team leaders deem vital to their engagement with local and provincial communities. No Embassy approval is required. "Not withstanding" memo will allow for purchases up to $25,000 and FAR flexibility.	< $25,000
Small Grant	One-time payment is made to an NGO/GOI to carry out activity. Grants are tracked at the Embassy and implemented by the PRT/ePRT. Grants are subject to post-review and authorization. Grants of more than $25,000 are reviewed in Washington, D.C.	< $50,000
Grant	One-time payment is made to an NGO/GOI to carry out activity. Grants are tracked at the Embassy and implemented and monitored by USAID. OPA reviews and hands off to USAID.	$50,000 - $200,000
Direct Procurement	Used when activity is complex enough to require a contract/lengthy statement of work; PRT team leaders approve purchase request. Procurement order plausibility and implementation means made by USAID, JCC-I/A, or GSO—depending on core competency. USAID implementer, DoD's Regional Contract Command (RCC), is responsible for monitoring.	< $200,000

Source: OPA, Provincial Reconstruction Team Portal, "Guidelines for Administration of the PRT/ePRT Quick Response Fund Program," August 12, 2007, p. 2.

Table 2.26

Iraqi priorities:[156]
- Improve the management and administration of local, municipal, and provincial governments.
- Provide technical assistance and training to local elected officials on the roles and functions of local government officials and agencies.
- Establish a legal framework for a democratic, representative, and participatory form of decentralized government in Iraq.

Since the launch of the LGP, the program has organized 22,000 discussions to educate more than 750,000 Iraqis on democracy and political transitions. Additionally, the LGP has trained 2,000 council members (15% women), 28 governors, 42 deputy governors, 420 director generals, and key staff in 380 departments and all of the provincial councils elected in January 2005.[157] The LGP has also assisted in the development of a draft Local Governance Code, which was agreed to by all 18 provinces. On February 13, 2008, the Iraq Council of Representatives (CoR) passed the Provincial Powers Law, with negotiations and suggestions provided by the Local Governance Association.[158]

LGP Activities

The LGP supported the Kurdistan Regional Government (KRG) in expanding the economic planning segment of three provincial development strategies, including clarification of the role of public institutions in creating an enabling environment for private enterprise employment.[159] The Economic Development Assessment is limited to development of data and options for competitive economic activities in the region, covering these five sectors:[160]
- construction
- mining
- agriculture
- petroleum support enterprises
- tourism

The planning effort involved direct contact between industry representatives and KRG leadership, facilitated by Iraqi and foreign advisors from the LGP.

In February 2008, a two-day conference was held in Najaf to examine intergovernmental relationships in Iraq. The conference was hosted by the Najaf Provincial Council in cooperation with the LGP II. The primary goal of the conference was to create a mechanism for intergovernmental fiscal relations in Iraq.

Conference participants from eight provinces unanimously produced and approved eight recommendations in support of a more decentralized financial system in Iraq.[161] One of the recommendations was to lobby the CoR to pass Article 106 of the Constitution, which calls for the establishment of a public commission to ensure fair distribution of federal financial transfers to provincial governments.[162]

This quarter, the LGP assisted in the expansion of the Amanat Training Center in Baghdad. The Amanat facility trains approximately 600–900 staff each month and has about 23,000 employees.[163] The newly expanded facilities will allow training of more people every day, increas-

ing capacity to as many as 1,200 trainees monthly. LGP provided furniture, equipment, and 20 computers.[164] Training offered includes technical and administrative courses and programs relating to water treatment and water production.

NEW ESF PROGRAMS FOR FY 2007 AND FY 2008

The Private Sector Agribusiness Development Program (Inma) and the Targeted Development Program (TDP) are more recent initiatives to encourage economic development.

INMA: PRIVATE SECTOR AGRIBUSINESS DEVELOPMENT PROGRAM

USAID's Inma agribusiness program, which has obligated $92.5 million of the ESF, "targets the formation and growth of agribusiness firms to stimulate and expand agriculture production, increase productivity, and achieve higher levels of employment."[165]

The project aims to develop new businesses and to expand operations of privately owned establishments. This effort will complement enhancements to the supply chain that help Iraq meet its domestic food needs and revitalize a sector that employs more than a quarter of Iraq's population.[166]

USAID will also use $2.4 million of the ESF to help implement national policy that promotes and supports commodity-focused agribusinesses, complementing the activities of the U.S. Department of Agriculture.[167] These efforts are aimed at increasing the competitiveness of agribusiness enterprises by, among other things, upgrading national food policies and regulations to meet international standards.[168]

For example, Inma supported maize production through the Al-Anbar Feed Grains promotion project. It introduced new varieties of maize to bolster the supply of feed for the livestock sector. Imna provided improved seed, fertilizer, and technical assistance for harvest, sale, and distribution of maize.[169] For more information on Iraq's agricultural sector, see the section on *Iraq's Economy* in this Report.

The Anbar wheat planting and Diyala wheat and barley planting projects are being implemented, and harvests are expected in May and June 2008. Imna imported and distributed certified seed and fertilizers and provided technical assistance to farmers. Inma will buy 40% of the harvested produce for further distribution to farmers in the Anbar, Diyala, Babylon, and Taji areas to increase the supply of quality seed.[170]

TARGETED DEVELOPMENT PROGRAM

The Targeted Development Program (TDP) is an economic initiative managed by ITAO and is available to non-governmental organizations (NGOs) in Iraq. The TDP was allocated $57.4 million from the FY 2007 Supplemental, of which more than $450,000 has been expended.[171] These funds are awarded to NGOs in Iraq for economic and social development programs in areas of conflict to meet these priorities:[172]

- conflict mitigation, reconciliation, alternate dispute settlement, and political transformation
- building Iraqi national unity across geographic

or sectarian boundaries
- development efforts, including in the private sector, not addressed in other programs

The program develops initiatives for specific community social and economic challenges, including education, health care needs, emergency response, economic development, and job creation.

The TDP is in its second round of grant reviews, considering 46 grants. The first round of grant review resulted in funding approval for 8 grants, valued at $8.4 million.[173] The following programs have been approved, as of March 31, 2008:[174]

- Pilot Public Defender Program
- Women's Employment Initiative
- Specialty Physician Training
- NGO Training
- Community Multi-use Facility
- Youth Forums
- Reconciliation
- Youth Education Program

KEY ONGOING ESF PROGRAMS

Several ESF programs are continuing work that was started with funding from the IRRF. They address work to stabilize communities, provide support to the victims of violence, and fund critical sustainment work to protect the U.S. investment allocated to infrastructure construction.

COMMUNITY STABILIZATION PROGRAM

In May 2006, USAID awarded the International Relief and Development grant to implement the Community Stabilization Program (CSP), a public works and economic development project in Iraq. The CSP is funded by $514 million of the ESF—$135 million from the FY 2006 Supplemental, and $379 million from FY 2007 Supplemental and FY 2007 Continuing Resolution appropriations.[175] As of March 31, 2008, nearly $298 million had been expended.[176]

These primary objectives guide the 28-month program:[177]
- Create jobs and develop employable skills, with a focus on unemployed youth.
- Revitalize community infrastructure and essential services.
- Support established businesses and develop new sustainable businesses.
- Mitigate conflict in selected communities.

CSP activities aim to reduce insurgency, sectarian violence, and crime by employing disenfranchised young Iraqi men who have suffered from violence or have been threatened by insurgent or militia activity. The program currently operates in 14 cities within 8 provinces: Ninewa, Tameem, Salah Al-Din, Diyala, Anbar, Baghdad, Babylon, and Basrah.[178] The program is developing a network of employment service centers to research market demand and help place unemployed Iraqis in long-term jobs, which CSP considers to be longer than three months. As of March 2008, USAID reports that there are nearly

59,000 people employed through the CSP.[179]

The CSP program provides vocational training in Baghdad, Ninewa, Tameem, Basrah, North Babylon, and Anbar. As of March 31, 2008, more than 16,500 people have graduated from this training. Also, the program awarded more than 5,000 apprenticeships in the Baghdad, Ninewa, Tameem, and Anbar provinces.[180]

USAID Office of Inspector General Audit of the CSP

This quarter, USAID OIG published an audit that found evidence of potential fraud in the CSP, which is funded by U.S. allocations of $514 million. The finding of potential fraud—estimated to range from $6.7 million to $8.4 million—resulted in the suspension of projects in one district in Baghdad. These are the factors contributing to the program's vulnerability to fraud:[181]

- lack of regular, independent site monitoring
- inadequate vetting of CSP contractors

The potential fraud included possible diversion of funds to militia activities through overpriced trash collection contracts, timesheets with irregularities, and possible phantom Iraqi workers for the community cleanup campaigns funded by the program.[182]

MARLA RUZICKA IRAQI WAR VICTIMS FUND

USAID has been helping Iraqi civilians injured by U.S. and Coalition forces since May 2003. Under the CAP, the Marla Ruzicka Fund[183] implemented 699 projects, which directly benefited 329,857 war victims and their family members.[184] The projects cover a number of costs for civilian victims of the war in Iraq, including health care, income generation, and the rehabilitation of destroyed homes, schools, and clinics.

As of April 3, 2008, USAID received nearly $40 million in U.S. appropriations for assisting Iraqi war victims, of which USAID has obligated $20 million under the Marla Ruzicka Fund.[185]

This quarter, USAID OIG conducted an audit to determine if USAID was in compliance with provisions of U.S. public law that guides how money from the Marla Ruzicka Fund is to be used. The audit reported these challenges for expenditure of funds:[186]

- Although three Marla Ruzicka Fund implementing partners provided assistance in accordance with the directive of focusing on families of Iraqi civilians harmed during military operations, one partner concentrated its funding solely on community infrastructure projects in one region.
- Despite an emphasis on capacity building and sustainability, USAID has not developed a plan to help transfer the knowledge necessary for Iraqis to provide assistance to war victims once the Marla Ruzicka Fund has been exhausted. Erratic funding has led to a lack of planning for future sustainability. After U.S. assistance ends, Iraq may be ill-prepared to deal with harm suffered by Iraqi civilians as a result of the war.

O&M SUSTAINMENT PROGRAM

As of March 31, 2008, nearly $170 million of the Operations and Maintenance (O&M) program had been expended—an increase of nearly 58% since last quarter.[187] This $285 million program, managed by ITAO, assists Iraqis with sustainment efforts within the Iraqi ministries by providing in-plant services, consumables, and spare parts at major power plants, water and wastewater plants, and health, transportation, and communication.

A portion of this program's ESF funding is allocated to the electricity sector, which received more than 20% of programmed amounts. Nearly $58 million of the IRRF has also supported the sector's O&M program, which works to develop, implement, and sustain an effective O&M plan for the Ministry of Electricity (MOE) across all Iraqi power plants. The objective of the program is to coordinate and mentor the MOE O&M organization into an entirely functional and effective foundation of daily plant operations while simultaneously performing effective O&M services at six U.S. government-supported thermal and gas turbine power plants. The MOE's O&M program is now 74% complete, and it has been extended until September 2008, when formal transfer of responsibility to the MOE is expected.[188]

The U.S. investment is vulnerable to additional waste if construction projects are not properly maintained.[189] SIGIR notes that comprehensive O&M programs and effective training are critical to improving sustainability of U.S. assets.[190]

COMMANDER'S EMERGENCY RESPONSE PROGRAM

Since May 2003, the Commander's Emergency Response Program (CERP) has been used to produce targeted local relief and reconstruction efforts throughout Iraq. The Coalition Provisional Authority (CPA) initially created the fund using seized Iraqi assets and oil revenue from the Development Fund for Iraq (DFI). By late 2003, the Congress began to appropriate U.S. funds to these projects, and to date, more than $2.66 billion has been made available to the CERP.[191]

As of March 31, 2008, nearly 96% of total CERP funds had been obligated, and 68% had been expended. For the status of CERP funding, see Figure 2.17.

This quarter, more than 940 projects have been completed, funded by $169 million in obligations of the CERP.[192] Generally, CERP funding supports independent projects as well as ongoing projects that have been started with other U.S. appropriations.

TRENDS IN CERP USES

Unlike the large-scale infrastructure work funded by the IRRF 2, CERP projects were intended to be smaller and more responsive to the immediate priorities of maneuver commanders.[193] The Multi-National Corps-Iraq (MNC-I), which coordinates use of the CERP, issues guidance for the selection and use of the funds in its publication, *Money as a Weapon System* (MAAWS). Included in MAAWS, MNC-I publishes the CERP Standard Operating Procedures (SOP)

for proposing projects, awarding contracts, and managing projects.[194] The SOP indicates that key elements for project selection are speed of execution, ability to employ Iraqis, benefit to the Iraqi people, and visibility to the community.[195] Overall funding trends are consistent with these priorities; however, the use of CERP funds has evolved both numerically and categorically.

CERP PROJECT VALUES

The CERP was initially intended primarily for small-scale projects that would benefit the local population.[196] These projects often supplement the long-term benefits produced by large infrastructure projects and reinforce economic efforts on a local level.[197]

Figure 2.17

STATUS OF CERP FUNDS
$ Billions
Sources: P.L. 108-287; P.L. 109-13; P.L. 109-148;
P.L. 109-234; P.L. 109-289; P.L. 110-28; P.L. 110-161;
MNC-I, Response to SIGIR Data Call (4/9/2008)

TOTAL APPROPRIATED $2.66

TOTAL OBLIGATED $2.56

TOTAL EXPENDED $1.80
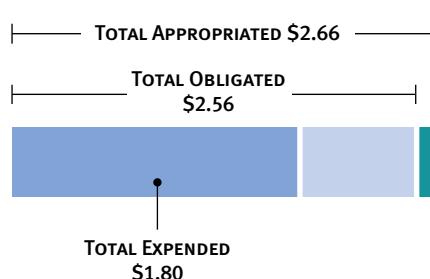
Note: Numbers are affected by rounding.

Average Obligations of CERP Projects, by Fiscal Year

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Average Construction Value	$69,121	$138,962	$170,151	$160,452	$306,193
Average Non-construction Value	$42,159	$70,993	$72,466	$75,280	$85,266

Source: IRMS, *MNC-I Quarterly Report*, March 30, 2008.

Note: Figures are from the Iraq Reconstruction Management System (IRMS), a program management tool. IRMS is an unaudited source.

Table 2.27

Since 2004, CERP uses have shifted to match the needs of the operational environment. Figure 2.18 illustrates trends in CERP funding and project values, including:

- the steady growth of CERP appropriations and obligations
- total monthly CERP obligations
- the increase in the average project value
- fluctuating project completions

In early 2008, average obligations per project rose sharply. These trends are heavily influenced by increased funding for security programs and for large-scale infrastructure projects. The trend in both total obligations and total projects shows a distinct increase in the summer of 2007, which corresponds with the beginning of the **Sons of Iraq** program[198] (formerly known as Concerned Local Citizens). This program provides an additional layer of counterinsurgency protection at the neighborhood and community level.[199] Currently, the Sons of Iraq program is almost wholly funded through the CERP.[200]

In 2004, the average CERP non-construction project was valued at $42,159. Currently, the average non-construction CERP project is valued at between $70,000 and $80,000.[201] The average obligation of a CERP construction project rose from $69,121 in 2004 to $170,151 in 2006. This figure dropped slightly in 2007; however, through the first three months of 2008, average value for construction projects reached more than $306,000—an increase of nearly 91% from last year.[202] Table 2.27 shows the increase in average obligations per project in each year since 2004.[203]

As of March 30, 2008, of all CERP projects, those valued at $500,000 or more made up only 2.6% of the total number of projects.[204] However, projects valued at $500,000 or greater have accounted for more than 37% of total CERP obligations.[205] In contrast, for projects started in 2004, these high-cost projects were funded by only 13.7% of CERP obligations.[206]

CERP PROJECTS BY SECTOR

CERP projects span a range of reconstruction activities. MNC-I maintains oversight of the CERP and specifies that the uses of funds comply with authorized categories, shown in Figure 2.19. As part of its oversight, MNC-I also issued guidance to ensure that strategic efforts are met without duplication of work by other organizations and initiatives.[207] However, SIGIR Audit 07-015 "documented frequent instances of CERP projects that conflicted with the capacity-development mission of PRTs by performing tasks that properly belong to local and provincial governments."[208]

Figure 2.19 presents an overview of CERP obligations since FY 2004 and the change in the obligations for each permissible use from FY 2007 to FY 2008, which underscores the new trends in usage. Initially, most obligations of the CERP were focused on water, electricity, and related infrastructure projects.[209] Although a significant portion of funding is still being spent in these areas, funding for security measures has been rising. This quarter, there was a notable spike in obligations for "Protective Measures"—a 95% increase over FY 2007. Although cumula-

Figure 2.18

TRENDS IN CERP APPROPRIATIONS AND OBLIGATIONS
Source: IRMS, *MNC-I Quarterly Report* (3/30/2008)

CUMULATIVE APPROPRIATIONS AND OBLIGATIONS
$ Billions

TOTAL OBLIGATIONS BY MONTH
$ Millions

AVERAGE OBLIGATION OF COMPLETED PROJECTS BY MONTH
$ Thousands

TOTAL COMPLETED PROJECTS BY MONTH
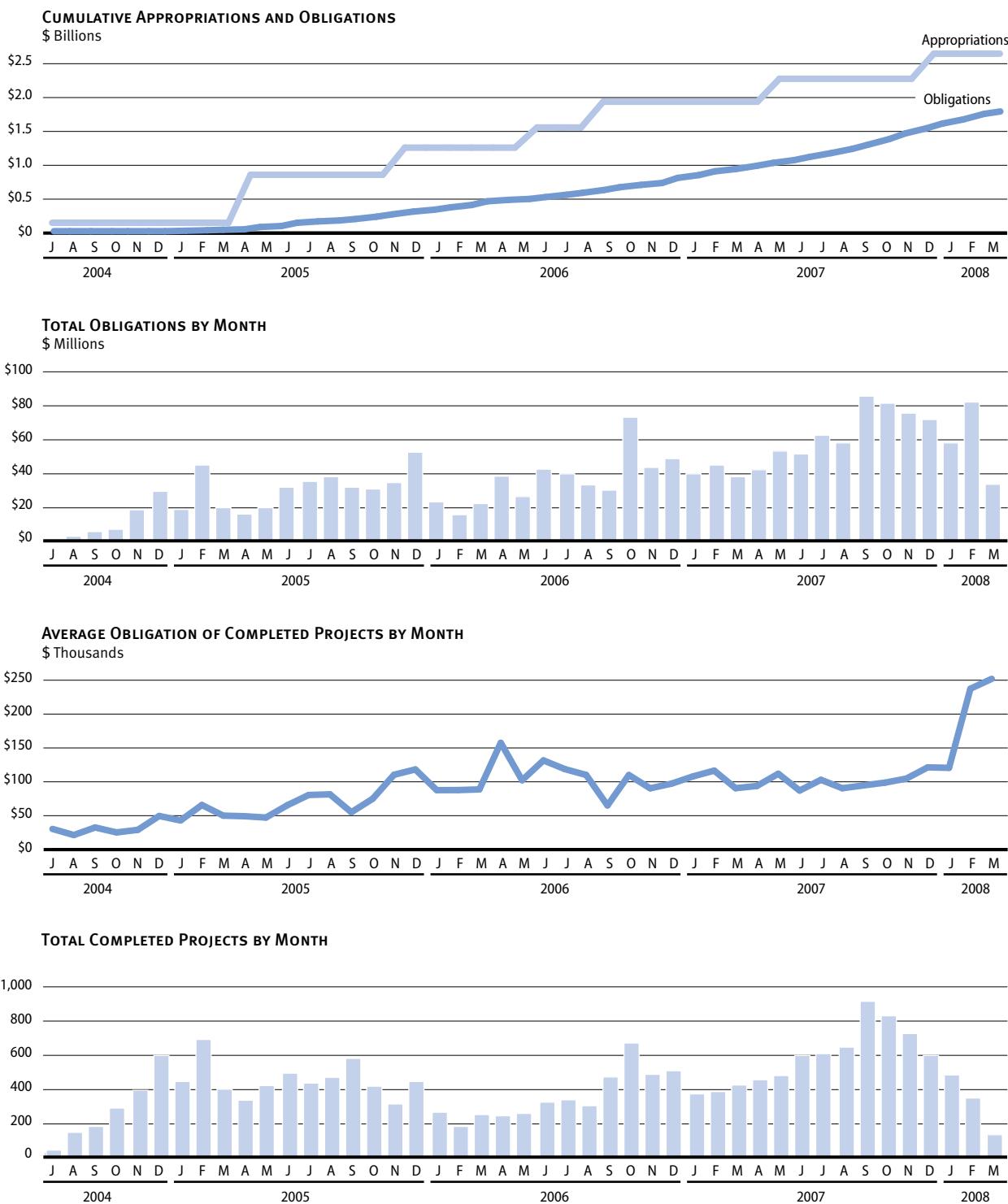
Note: Date shown reflects the actual completion date of projects. CERP projects were started prior to CERP receiving direct appropriations because it was created with seized Iraqi assets and oil revenue from the Development Fund for Iraq (DFI).

Figure 2.19

CERP Obligations by Project Type and Fiscal Year ($ Millions)

Project Type	Obligations by Fiscal Year	Funding Shift FY07 to FY08	Project Type	Obligations by Fiscal Year	Funding Shift FY07 to FY08
Protective Measures	150.0 / 14.23 / 72.98 / 142.67	+95%	Telecommunications	25.0 / 22.82 / 3.90 / 1.54	-61%
Other Humanitarian and Reconstruction Projects	100.0 / 81.64 / 26.79 / 25.65	-4%	Civic Infrastructure Repair	40.0 / 35.49 / 39.44 / 13.23	-66%
Economic, Financial, and Management Improvements	35.0 / 32.30 / 26.37 / 23.72	-10%	Education	120.0 / 118.05 / 107.97 / 31.9	-70%
Healthcare	60.0 / 58.21 / 23.93 / 15.00	-37%	Electricity	200.0 / 161.67 / 125.85 / 33.14	-74%
Condolence Payments	30.0 / 26.51 / 13.34 / 7.84	-41%	Food Production and Distribution	5.0 / 4.20 / 4.52 / 1.13	-75%
Detainee Release Payments	0.5 / 0.08 / 0.46 / 0.23	-50%	Civic Cleanup Activities	80.0 / 45.04 / 75.51 / 16.31	-78%
Agriculture	40.0 / 38.73 / 18.36 / 8.18	-55%	Water and Sanitation	400.0 / 372.51 / 165.58 / 28.92	-83%
Battle Damage	12.0 / 10.32 / 10.71 / 4.59	-57%	Irrigation	20.0 / 18.75 / 19.68 / 2.52	-87%
Law and Governance	50.0 / 47.80 / 38.30 / 16.33	-57%	Civic Support Vehicles	10.0 / 8.29 / 9.07 / 0.18	-98%
Transportation	200.0 / 153.28 / 108.55 / 43.80	-60%			

Legend:
- CERP FY04 – FY06
- CERP FY07
- CERP FY08

Source: MNC-I, response to SIGIR data call, April 9, 2008.

Note: In May 2007, CERP guidance was amended to classify Micro-grants under the "Economic, Financial, and Management Improvements" category.

tively, only 8.9% of the total CERP obligations have been obligated to this category, nearly 35% of CERP obligations in FY 2008 funded Protective Measures, which includes fences, lights, barrier materials, the Sons of Iraq program, and other security measures.[210]

CERP PROJECTS BY PROVINCE

As of March 30, 2008, more than $2.56 billion of the CERP has been obligated for projects in all 18 provinces. By design, CERP projects differ widely based on the priorities requested by commanders as they adapt to the evolving needs of the communities they support. For this reason, the type of projects and the level of funding vary from province to province. In FY 2008, the top four provinces with the largest CERP obligations were:[211]

- Anbar—$278 million
- Baghdad—$802 million
- Basrah—$236 million
- Ninewa—$163 million

Since the beginning of 2007, Baghdad province has received the largest budget for CERP projects. In total, more than 5,400 CERP-funded projects have been started in Baghdad, with obligations of more than $800 million.[212] A frontage road park in the Al-Resafa district of Baghdad was completed this quarter. This project, valued at $174,200, was funded by FY 2008 CERP funds. Ongoing large projects nearing completion include sewer projects in Al-Resafa, funded by $4.8 million of the FY 2006 CERP,[213] and an electrical

distribution project, funded by $4.9 million of FY 2007 CERP.[214]

For a more detailed comparison of variations in major uses of CERP funds in the top four CERP provinces by FY 2008 obligations, see Figure 2.20.

TRANSFERRING AND SUSTAINING CERP PROJECTS

Recent increases in large-scale project costs are significant because they present a management challenge for CERP coordinators.[215] Some officers have indicated difficulty in finding qualified project employees and providing adequate supplies to support the operations and maintenance of facilities.[216] SIGIR reported on key management control issues in its January audit of large-scale CERP infrastructure projects last quarter, including lack of adequate planning for transferring project control to Iraqi officials.[217] Since the release of that report, MNC-I has taken several steps to address this issue.[218]

There is evidence that sustainment planning is being incorporated at the Multi-National Division (MND) level.[219] MNC-I first issued guidance in June 2007, when MAAWS was revised to include more direct language about how projects are identified and coordinated with local Iraqi officials.[220] However, these revisions stopped short of giving direct guidance for transition and maintenance—particularly for large or more complex projects.[221] A few MNDs reported that they have addressed planning for long-term maintenance of large projects and increased their coordination

Figure 2.20

CERP OBLIGATIONS BY PROVINCE

PROVINCE	MAP	MAJOR USES	2004–2008 CERP OBLIGATIONS BY PROVINCE ($ MILLIONS)	PROTECTIVE MEASURES
ANBAR		Since 2004, the two sectors that received the most CERP funds are the Electricity and Water and Sanitation sectors; also, 17% of total CERP funds were obligated for Transportation and 13% for Education.		In Anbar, FY 2008 obligations for protective measures represents 12% of Anbar's total FY 2008 CERP obligations. This is an increase from 1% of FY 2007 CERP obligations.
BAGHDAD		Since 2004, the two sectors that received the most CERP funds are the Electricity and Sanitation sectors; 29% of total CERP funds were obligated for Water and Sanitation and 13% for Electricity.		Baghdad has received the largest obligation for protective measures in FY 2008 — 43% of the total CERP obligations in this category.
BASRAH		Since 2004, the two sectors that received the most CERP funds are the Electricity and Water and Sanitation sectors; 31% of total CERP funds were obligated for Water and Sanitation and 21% for Electricity.		In FY 2008, there are no reported obligations for protective measures compared to $46,000 in FY 2007.
NINEWA		Since 2004, the two sectors that received the most CERP funds are the Transportation and Education sectors; 21% of total CERP funds were obligated for Transportation and 19% for Education.		Ninewa has received less than $1.2 million in FY 2008 obligations for protective measures, and in FY 2007, only just more than $112,000 was obligated to meet these needs in FY 2007.

Source: IRMS, *MNC-I Quarterly Report*, March 30, 2008.

Note: FY 2008 is not completely obligated. Data is based on first two quarters.

with local officials.[222] However, these efforts are still met with several challenges:[223]

- The Iraqi budgeting cycle is not structured to be changed once the budget has been set for the year. Therefore, if a CERP project finishes mid-year without prior funding in the Iraqi budget, there is no system in place to accommodate the addition of the new project.
- Provinces may not have the necessary supplies or labor pool to maintain the projects.
- There is an inherent tension between responding to imminent security situations and planning for long-term sustainment. In these cases, the use of funds is driven by operational security needs.

A SIGIR audit published this quarter reiterated these planning challenges and noted that the U.S. agencies' proposal for standardizing the process for transferring assets to the GOI excluded a mechanism for CERP projects. Draft documentation between the U.S. agencies, and between the U.S. government and the GOI, only includes a process for IRRF-funded projects.[224] The draft agreements potentially do not address more than $3.5 billion in projects supported by the ESF, CERP, and ISFF.[225]

Moreover, a longstanding concern involves the unilateral transfer of projects at the local or provincial level without assurance that ministry officials with budget authority are prepared to sustain the transferred assets.[226] Even at the national level, the GOI budget structure is a hindrance to maintaining CERP projects, which tend to be expedient in nature.[227] CERP projects

are often completed and ready to begin functioning faster than the GOI is ready to receive them. Also, there is no contingency funding within the budget structure, which may limit the GOI's ability to support the maintenance of CERP projects after they are transferred.[228]

MNC-I commented on some of the processes that are in place at the division level to ensure that completed and transferred CERP projects are maintained. MNC-I noted that a new order required a Project Coordination and Transition GOI memorandum of agreement for all reconstruction projects greater than $50,000.[229] Moreover, due to a shift in planning to emphasize the "emergency and humanitarian assistance intent of the program as opposed to large-scale project development," it is reported that few CERP projects going forward will require long-term investment from the GOI.[230]

OPERATIONS AND MAINTENANCE OF CERP PROJECTS

The **Phase II Falluja Wastewater System** is an example of a substantial public works project that required funding from multiple sources to complete and sustain. The wastewater collection and treatment system is a $78 million project,[231] with $9.4 million of that amount funded by the CERP.[232] Although CERP funds only account for 12% of the total project cost, the size of the contribution is significant given that projects greater than $1 million are only about 1% of CERP-funded projects to date—and 28% of total CERP obligations.[233] Phase II of the project is scheduled to be completed in September 2008.[234] It is esti-

mated that this project will service 228,000 Iraqis in Falluja.[235] In addition to the services that will be supplied by the wastewater treatment plant, the construction project currently employs 450 Iraqis and is expected to employ more as construction continues.[236]

In addition to independent projects, CERP funds have been used to supplement larger infrastructure projects. For example, with the **Basrah Children's Hospital** project—now 85% complete—GRD reported that $400,000 of the CERP was used to finalize a tie-in of a water line to the hospital.[237]

As the number of projects transferred to Iraqi control increases, maintenance and sustainment are critical to the long-term success of both CERP projects as well as other large-scale projects.[238] Sustainability planning has become an important consideration when examining project success.

This quarter, SIGIR published four inspections of CERP projects: **Sarwaran Primary School construction, Binaslawa Middle School construction, Al-Ghazaliyah G-6 Sewage Lift Station,** and **Kurdistan Regional Government's Ministry of Interior Complex**. These inspections assessed the design prior to construction, construction standards, quality control, and sustainment planning for project transfer.

The **Sarwaran Primary School** and **Binaslawa Middle School,** both located in Erbil, were funded under the CERP to meet the demand of a new village of 600 families that were relocated from the city's old citadel area. The design of both projects was adequate. Both projects were pro-posed and managed by Multi-National Division-Northeast (MND-NE).

SIGIR's inspection of Erbil's **Sarwaran Primary School**—a $693,630 project started on June 1, 2007—identified construction deficiencies that were later corrected. The inspection concluded that although design prior to construction and QC had been adequate, the management of construction had been suboptimal, and planning for sustainment was lacking.[239]

On February 4, 2008, SIGIR inspected the **Binaslawa Middle School**, a $601,611 contract performed since June 2007. The construction work inspected was adequate; however, without appropriate records, SIGIR could not attest to the quality of the completed work. SIGIR also found that sustainment planning was not apparent, which leaves the burden of sustainment on the KRG.[240]

SIGIR also conducted an inspection of the repair of the **Al-Ghazaliyah G-6 Sewage Lift Station**, in Baghdad, Iraq. At the time the project was terminated due to security concerns, the contractor had completed work valued at just more than $253,000.[241]

In addition, CERP funds are being used to repair the **Kurdistan Regional Government's Ministry of Interior complex**, which was badly damaged by a vehicle bomb in May 2007. SIGIR inspected the facility this quarter and issued no negative findings with this project.[242] For more details on SIGIR inspections released this quarter, see Section 3 of this Report.

MICRO-GRANT FUNDING BY THE CERP

Micro-grants are given to disadvantaged Iraqi small-business owners[243] to stimulate economic growth and to reinforce the efforts being made through large-scale infrastructure projects. The program is also used to combat Iraqi unemployment and to prevent or reverse business disruption. Although CERP regulations and the MAAWS provide no specific guidance on micro-grant uses, customary disbursement practices flow either directly from military officers or through the coordinated efforts of attendant civilian activities, such as PRTs.[244] CERP users are directed to coordinate and determine project needs "to gain the greatest effect and ensure effect synchronization"[245] with local Iraqi government agencies, civil affairs elements, including PRDCs, PRTs, and USAID.

Payments of up to $2,500 may be made under the same approval conditions that regulate condolence payments. Micro-grants above $10,000 require the approval of the Corps Commander.[246] In Salah Al-Din, CERP funds were used to meet more than $300,000 of the annual operating costs for one PRT's $1.2 million micro-grant program.[247] For a breakdown of micro-grant funding by MND (regions of Iraq) to date, see Table 2.28.

Micro-Grants by Region

Multi-National Division (MND)	Average Cost per Micro-grant	Total Cost of Micro-grants	Total Number of Micro-grants Issued
MND-Central	$1,715	$1,139,053	664
MND-South East	$2,445	$24,449	10
MND-Central South	$5,323	$601,449	113
MND-Baghdad	$2,264	$2,613,198	1154
MND-North	$2,057	$606,860	295

Source: MNF-I, response to SIGIR data call, April 10, 2008.

Note: MNF-West and MND-North East did not participate in the Micro-Grant Program.

Table 2.28

BUREAU OF INTERNATIONAL NARCOTICS AND LAW ENFORCEMENT AFFAIRS FUNDING

The Congress has made funds available through the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) to address needs in Iraq's criminal justice system. Since the early days of the U.S. reconstruction effort, INL has focused on reestablishing, reforming, and modernizing the criminal justice sector,[248] administering policies and programs that develop corrections capacity, as well as the rule of law in Iraq by supporting Multi-National Force-Iraq (MNF-I) programs to develop the police force. INL administers its programs in conjunction with other agencies, contractors, and nongovernmental organizations.

Funding for these activities comprises direct appropriations to INL's International Narcotics Control and Law Enforcement fund (INCLE)—specifically allocated for work in Iraq—and transfers from the Iraq Security Forces Fund (ISFF) and Iraq Relief and Reconstruction Fund (IRRF). Between FY 2003 and FY 2008, INL received nearly $2.88 billion[249] from these sources:

- $1.26 billion from the IRRF and DoD funds that were transferred to INL
- $1.35 billion from ISFF funds that were transferred to INL
- $261 million from INCLE

For an overview of funding for INL, see Figure 2.21.

STATUS OF INL FUNDING

Of the total INL appropriation and fund transfers, $2.6 billion has been obligated and $2.2 billion has been expended.[250] For a summary of total INL funds status, see Figure 2.22.

The Office of Management and Budget (OMB) reports that INL received total appropriations of $281 million to the INCLE. However, INL records indicate $261 million in direct appropriations, which do not include $20 million appropriated under the Emergency Wartime Supplemental Appropriations Act, 2003 (P.L. 108-11). As of March 31, 2008, of the total appropriated directly to the INCLE, $162.19 million has been obligated, and $39.43 million has been expended.[251]

For the status of INCLE funds appropriated in P.L. 108-11, see Figure 2.23.

FUNDING USES

In Iraq, INL projects have focused on police training, rule-of-law programs, and training and development of the Iraqi Corrections Service to increase the capacity in each of these areas.[252] INL programs also include the construction and upgrade of corrections facilities. INL's mission is focused on hiring and training of criminal justice personnel, and advisory assistance on a range of criminal justice and court administration issues.[253]

Figure 2.21

INL APPROPRIATIONS AND TRANSFERS
$ Millions
Source: INL, Response to SIGIR Data Call (4/8/2008)

TOTAL APPROPRIATED AND TRANSFERRED
$2,877.54

IRRF
$1,261.92

ISFF
$1,354.17
(100% FOR POLICE)

INL
$261.45

IRRF
$1,261.92

Police
$1,007.60

80%

Corrections
$92.06

7%

Rule of Law
$95.86

7%

Witness Protection
$35.00 (3%)

Crimes Against Humanity
$24.40 (2%)

Legal Advisors
$7.00 (1%)

INL
$261.45

Program Support
$10.50 (4%)

Criminal Justice
Development
$137.86

53%

Corrections
$113.09

43%

Note: Numbers are affected by rounding.

Figure 2.22

STATUS OF INL FUNDS
$ Billions
Sources: INL, Response to SIGIR Data Call (4/8/2008)

TOTAL APPROPRIATED
AND TRANSFERRED $2.88

TOTAL OBLIGATED
$2.62

TOTAL EXPENDED
$2.20

Note: Numbers are affected by rounding.

Figure 2.23

STATUS OF INCLE FUNDS
$ Billions
Source: INL, Response to SIGIR Data Call (4/8/2008)

TOTAL APPROPRIATED $0.26

TOTAL OBLIGATED
$0.16

TOTAL EXPENDED
$0.04

Note: Numbers are affected by rounding.

In addition to programs administered from INCLE, many programs are delivered in conjunction with other justice and law enforcement agencies, such as the United States Marshals service, Multi-National Security Transition Command-Iraq (MNSTC-I), and the Gulf Region Division (GRD) of the U.S. Army Corps of Engineers (USACE).[254] For the status of funds appropriated to INCLE by programs, as of March 31, 2008, see Table 2.29.

INL uses contractors to carry out most of its Iraq reconstruction work. The Department of Justice International Criminal Investigative Training Assistance Program (ICITAP) and USACE programs are executed almost exclusively by contractors.[255] Since 2004, approximately 55% has been obligated directly to these firms. DynCorp International has received the most INL funding—more than $1 billion in total obligations.[256] Currently, the portion of the contract

covering DynCorp's work in Iraq expires on April 30, 2008, and a new award is pending. For a listing of the top INL contractors by award amount, see Table 2.30.

POLICE

Most of INL's work in Iraq focuses on supporting MNF-I's program to train and assist Iraq's police; just more than 84% of total INL obligations have funded these types of projects.[257] INL supports police training indirectly by providing International Police Advisors (IPAs) and other capacity-building expertise.[258]

INL continues to support the military's efforts to train and equip Iraqi police by contributing IPAs. INL assists the GOI and U.S. Central Command's Civilian Police Assistance Training Team (CPATT) in professionalizing civil law enforcement institutions and the Iraqi Police Service (IPS) to maintain order in a manner

INCLE Funding by Program ($ millions)

Program	Allocations	Obligations	Expenditures
Corrections	$113.09	$111.03	$23.71
Courts[a]	59.17	8.29	0.00
Justice Integration	26.74	1.92	–
Public Integrity	23.45	16.84	11.91
Rule-of-law Advisors	13.81	8.97	0.28
Major Crimes Task Force	12.17	9.02	0.22
Other (PD&S)	10.50	6.11	3.31
Legal Framework	2.52	0.02	0.00
Total	**$261.45**	**$162.20**	**$39.43**

Source: INL, response to SIGIR data call, April 3, 2008.

Note: Numbers are affected by rounding.
[a] Total expenditures for the Courts program category cannot be shown; they total only $4,000.

Table 2.29

Top INL Contractors ($ millions)

Contractor	Obligated	Expended
DynCorp	$1,423.97	$1,255.28
BearingPoint	$16.29	$13.04
PAE	$1.26	$0.41

Source: INL, response to SIGIR data call, April 3, 2008.

Note: Numbers are affected by rounding.

Table 2.30

consistent with international policing and human rights standards.[259] This quarter, INL continued to support DoD law enforcement with these resources:[260]

- 690 IPAs assessed, trained, advised, and mentored IPS personnel members of Police Transition Teams (PTTs) through the DynCorp International contract.
- 191 IPAs, in partnership with the DoJ ICITAP, provided guidance to Iraqi trainers at the academies, through ICITAP's contract with Military Professional Resources Inc.
- 70 IPAs delivered training and mentoring to

Iraq's Department of Border Enforcement in conjunction with military Border Transition Teams (BTTs).

This quarter, SIGIR published a report on INL's DynCorp contract for the task orders that apply to work in Iraq. The report is a follow-up on recommendations made in an audit in October 2007 on the administration of the contract for the Iraqi Police Training Program and in a joint report with DoS Office of Inspector General in January 2007.[261]

SIGIR initially identified several contract management issues and recommended that INL develop a plan for corrective action and provide the resources to implement it.[262] This quarter, SIGIR reported that INL has taken steps to respond to issues raised in both audits.[263] For a more detailed discussion of SIGIR findings, see Section 3 of this Report.

RULE-OF-LAW PROGRAMS

INL has played a role in advising central government and provincial officials and developing the rule of law in Iraq. As of March 2008, rule-of-law programs have received INL funds to support and deliver programs that strengthen the justice system by assisting Iraq's judiciary to draft legislation, providing rule-of-law advisors, training judges and judicial investigators, and improving judicial witness security.[264]

This quarter, INL reports that an important step in judicial training was accomplished when the Higher Juridical Council (HJC) approved the plan for the Judicial Education and Development Institute (JEDI). The JEDI will be located on the Central Criminal Court-Iraq campus in Baghdad to provide continuing education of justices already in the criminal justice system and possibly some new judges.[265] For more details on other rule-of-law programs, see the *Governance and Capacity Development* section of this Report.

Facilities

INL currently partners with the U.S. Marshals Service to upgrade Iraqi courthouses. Efforts include assessing the security of courthouses and providing assistance and education to Iraqi personnel. INL reported that progress has been made this quarter in security upgrades for some courts in Iraq. To date, INL has completed site assessments on 10 courts in Hilla, Mosul, Baʾquba, Kirkuk, Basrah, Ramadi, Abu Ghraib area, Falluja, Al-Kaʾim, and Heet. The last assessment was completed in late 2007. Last quarter, courthouses in Baʾquba, Hilla, Kirkuk, and Mosul were reportedly scheduled for upgrades. This quarter, INL anticipates that Kirkuk upgrades will begin on June 29, 2008, with an expected completion date of July 22, 2008.[266]

Judicial Security

In previous quarters, SIGIR reported on the security challenges to justice personnel and witnesses and its threat to the advancement of the justice system. This quarter, the Justice Attaché reported that one of the most significant challenges to the rule of law in Iraq is "continued use of violence and intimidation against the judiciary…."[267] Since 2003, 35 judges and 67 judicial security personnel have been killed.[268] This quarter, two judges and one judicial employee lost their lives.[269] Accordingly, this threat of violence has made judicial security a priority for INL.

Since 2006, INL has worked with the GOI to implement the Judicial Protection Service (JPS), to be modeled after the U.S. Marshals Service, but they have not yet been successful.[270] INL reported that the implementation of JPS continues to face these challenges:[271]

- There is a lack of adequate funding for personnel salaries.

Construction of Witness Protection Facilities

City	Estimated Completion	% Completed	Change since Last Quarter
Mosul	Terminated[a]	55%	N/A
Rusafa	5/31/2008	64%	Up 16%
Basrah	4/15/2008	96%	Up 30%
Al Karkh	Completed	100%	No Change

Source: U.S. Embassy, response to SIGIR data call, April 3, 2008.

[a] The Mosul Courthouse and *Witness Protection* projects were terminated in January 2008.

Table 2.31

- The GOI has not issued weapons permits for JPS employees.
- No authorization has been given to hire the security force as regular GOI employees.

SIGIR has reported on these challenges in previous quarters. INL reports that it is working with the HJC to resolve these issues and to encourage the GOI legislature to formally and fully establish JPS.

INL has also worked to create secure housing for judges and their families. This quarter, INL is providing safe residency to 37 judges and their families. This is a slight decrease from 40 families served last quarter; however, the secure housing complex is used for judges on assignment in Baghdad and residency is not static.[272]

Improving and expanding witness protection facilities have also been a priority for INL. As of March 2008, one witness protection facility has been completed, and two facilities are in progress. The projects at the Mosul Courthouse and Witness Protection facilities were terminated after they sustained significant damage from a bombing.[273] For an overview of these projects, see Table 2.31.

Capacity Development

In March 2008, INL hired a new subject matter expert to advise the Iraq Justice Integration Project (IJIP), following the loss of its original implementer.[274] IJIP works to strengthen the coordination of the police, courts, and prisons, providing information systems technology that will allow officials to process and track criminals through every stage of the justice system. The previous contractor completed its original Delivery Order prior to departure, and INL is currently planning for the expansion of the project. To date, IJIP has tested and implemented a prototype defendant-tracking system in eight sites in Baghdad, provided user training for Iraqi and INL personnel, and produced software and procedural guides.[275]

INL works to enhance the capacity of both new and existing justice personnel by providing criminal justice advisors and training assistance. Through the Major Crimes Task Force (MCTF), U.S. federal agents mentor and advise Iraqi law enforcement personnel assigned to the task force. In addition, 3 training sessions were provided to Iraqi law enforcement personnel:[276]

- 17 Iraqi MCTF personnel were trained in defensive tactics, cell phone exploitation, in-

terviewing techniques, undercover operations, and firearms.

- 10 Iraqi MCTF personnel were trained on the Iraqi Automated Fingerprint Identification System.
- 16 Iraqi Investigators and Interpreters were trained on crime scene and advanced forensic techniques procedures.

Also, in partnership with ICITAP, INL supported the GOI Commission on Integrity (CoI) by administering training to 115 students on basic investigations techniques, tactical skills, and witness security.[277] In addition to personnel-specific training, INL provides advisory support to enhance rule-of-law policies and procedures. ICITAP advisors also provided guidance to CoI investigators on 209 new cases in addition to 253 ongoing cases.[278]

INL funds 15 rule-of-law personnel in Iraq, which includes both DoJ Resident Legal Advisors (RLAs) as well INL Rule of Law Advisors. This quarter, INL reports that the agency also funded two new DoJ RLAs for the Provincial Recon-

struction Teams (PRTs). INL-funded advisors currently support PRTs in Anbar, Baghdad, Diyala, Erbil, Kerbala, Kirkuk (Tameem), Ninewa, Najaf, and Salah al-Din.[279]

CORRECTIONS

The Iraqi Corrections Services (ICS) continues to deal with significant growth in the prison system. INL funds programs to enhance ICS capacity by assisting the development of personnel and improving physical facilities in partnership with other agencies. Projects include the construction and refurbishment of prison facilities.

Between FY 2003 and FY 2008, obligated funds for INL's corrections programs have totaled more than $111 million. These programs will make an impact on the prison system by increasing capacity by more than 4,000 beds.[280]

To date, $82 million have been obligated for five corrections projects in an inter-agency agreement with GRD.[281] For the status of prison construction projects funded by INL, see Table 2.32.[282]

INL-FUNDED PRISON CONSTRUCTION PROJECTS

PRISON	VALUE ($ MILLIONS)	STATUS[a]	ESTIMATED DATE OF COMPLETION
Basrah Central	$9.86	0%	TBD
Chamchamal	$32.16	7% complete	January 2009
Fort Suse: Phase I	$6.03	7% complete	January 2009
Fort Suse: Phase II	$11.48	Contract bid planned	Not Available
Nassriya: Phase II	$7.32	20% complete	December 2008[b]

Source: U.S. Embassy, response to SIGIR data call, April 3, 2008.

[a] Percentages as of March 18, 2008. The completion dates for Basrah Central and Nassriya Phase II have been delayed, primarily because of bad weather and poor contractor performance.
[b] The contractor has pulled the work crews from Phase II to help with finishing Phase I in time for an April 2008 opening.

TABLE 2.32

Nassriya Phase II is a continuation of the Phase I project, which was funded by the IRRF. Phase I is scheduled to be completed in April 2008. This quarter, INL deployed advisors to Nassriya to train ICS personnel in preparation for the opening of the new prison facility. [283]

This quarter, SIGIR published two inspections of the Nassriya Prison—an assessment of the construction of the initial 800-inmate Nassriya prison facility that began under the IRRF program and an assessment of Phase II construction of a 400-inmate expansion of the facility, which is funded by the INL. A review of the design and construction work revealed that the construction design and quality-control plan were sufficient. Also, the issue of sustainability was directly addressed in the contract, which included provision for personnel training, operating manuals, and warranties for a period of one year. The project is currently in compliance with its contract, and no negative findings were reported.[284]

As of March 2008, INL correction programs have also met these reconstruction priorities:

- Work began on the Chamchamal prison, to convert an old security fort into a 3,000-bed medium- and high-security facility.[285]
- INL worked with MNF-I, ICS, and the Ministry of Interior to reconstitute security operations at the Baddush Prison, near Mosul, and continued training programs for ICS personnel.[286]

Two new corrections projects are slated to begin in the coming months.

DEVELOPMENTS IN
IRAQ
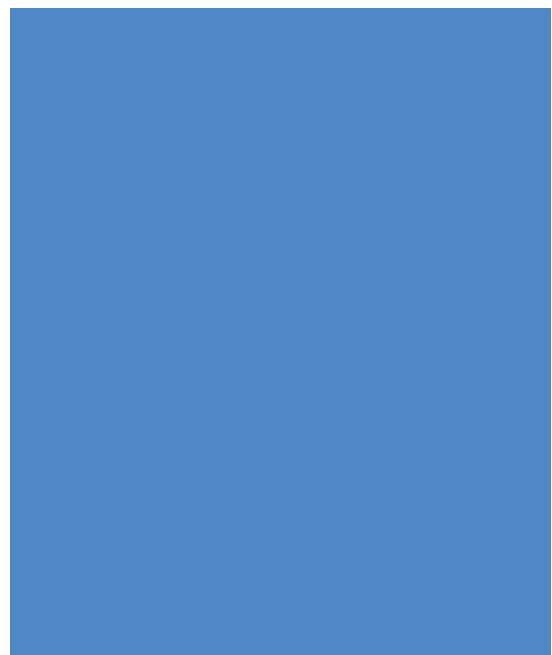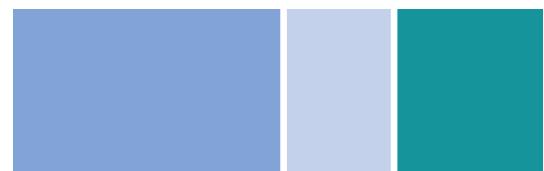
SECURITY

Five years after the March 2003 invasion, security within Iraq continues to be a primary focus of U.S. relief and reconstruction efforts. All of the major U.S. reconstruction funds have contributed to bolstering security across the country, and obligated funds to this sector total more than $20.39 billion:

- **Iraq Security Forces Fund (ISFF):** $11.23 billion[287] has been obligated for security.
- **Commander's Emergency Response Program (CERP):** $0.49 billion has been obligated for security projects.[288]
- **Economic Support Fund (ESF):** $1.48 billion has been obligated for security projects.[289]
- **Iraq Relief and Reconstruction Fund 2 (IRRF 2):** more than $7.19 billion has been obligated for security projects.[290]

STATUS OF THE SURGE

In January 2007, President Bush ordered 30,000 additional troops into Iraq as part of a tactical and operational shift intended to suppress the rising violence in Iraq. This troop "surge" was carried out through the deployment of five U.S. Brigade Combat Teams (BCTs),[291] focused initially on the Baghdad and Anbar provinces. Iraq also surged its forces to augment U.S. troops as part of the Baghdad Security Plan.

In early March 2008, DoD reported that the security environment had "improved significantly over the past six months," but that progress in some areas was fragile.[292] DoD attributed the decline in violence to a number of factors, including the surge,[293] the Mahdi Militia's ceasefire,[294] the Anbar Awakening,[295] and the Sons of Iraq initiative.[296] However, on March 23, 2008, violence flared again in Basrah and Baghdad.

The Joint Campaign Plan envisioned a return of all 5 surge BCTs, reducing the total in Iraq from 20 to 15.[297] However, the President,[298] the Secretary of Defense, and the Commanding General, MNF-I, qualified the drawdown as being conditions-based. Notwithstanding the reported success of the surge, the Commander, MNF-I, noted that while improved, "the Iraqi Security Forces are not yet ready to defend Iraq or maintain security throughout the country on their own."[299]

Although recommending the drawdown of the 5 surge BCTs by the end of July 2008, the MNF-I Commander has planned a 45-day "period of consolidation and evaluation" before further withdrawals are executed.[300] This suspension of the scheduled withdrawal of additional U.S. troops[301] is intended to provide military commanders the "flexibility…to preserve the still fragile security gains…achieved."[302]

The United States continues extensive training programs for the Iraqi Security Forces (ISF). Military Transition Teams gather information on ISF personnel and operations in an Operational Readiness Assessment,[303] which measures a unit's potential to advance to the next level, the effectiveness and quality of the leadership, a unit's

New members of the Sons of Iraq are greeted by U.S. military personnel.

capability and reliability, and how much the Coalition needs to provide overwatch.[304] MNSTC-I also conducts a quarterly training assessment.

To address security issues in vulnerable areas (particularly in Salah al-Din, Baghdad, Diyala, and Ninewa), MNSTC-I is working with both the Ministry of Defense (MOD) and Ministry of Interior (MOI) to focus efforts in these provinces. MNSTC-I notes challenges in all four areas are systemic, and is utilizing Police Transition Teams to help the MOI strengthen leadership, manning, equipment management, and communications capacities. MNSTC-I reported that two Army brigades and two battalions have been deployed among Baghdad, Diyala, and Salah al-Din this quarter.[305]

STATUS OF THE ISF

Two months after the U.S. invasion of Iraq, the Coalition Provisional Authority began rebuilding Iraq's security apparatus. The United States has since worked to create a new force capable of providing internal security and protecting territorial integrity. For an overview of the major services that form the ISF and their managing authorities, see Table 2.33.

ISF personnel data is reported in three categories:[306]

- *Trained*: total trained figures, but does not account for personnel listed as AWOL, as casualties, or outside of assigned categories
- *Assigned*: payroll data, which does not reflect "present-for-duty" totals

MINISTERIAL OVERSIGHT OF THE ISF

MINISTRY OF INTERIOR	MINISTRY OF DEFENSE
Iraqi Police Service (IPS)	Iraqi Army
National Police (NP)	Air Force
Department of Border Enforcement (DBE)	Navy
Facilities Protection Service	

TABLE 2.33

- *Authorized*: GOI end-state goal for a counter-insurgency force

MNSTC-I identified different methods used by the MOI, MOD, and Iraqi National Counter-Terrorism Force (INCTF) to determine authorized figures. The MOI established an end-strength ceiling, which is used by provincial police directors and other hiring entities. MOD's Joint Headquarters provide the military force goal, which is achieved by combining the Prime Minister's (PM's) directive to increase manning by 35% and the Modified Table of Organization and Equipment (MTOE).[307] The INCTF uses the MTOE, which is approved by the Prime Minister for Special Operations units.[308] For a review of GOI authorization, see Table 2.34.[309]

The GOI continues to expand force-generation plans and has authorized a final force size of 572,720.[310] For a total of personnel trained, see Figure 2.24.

Iraqi Security Forces as of February 29, 2008[a]

Component	Current Authorized Personnel[b]
Ministry of Interior (MOI) Forces[c]	
Iraqi Police Service (IPS)[d]	288,001
National Police (NP)[e]	33,670
Department of Border Enforcement (DBE)	38,205
Total MOI	**359,876**
Ministry of Defense (MOD) Forces[f]	
Army	186,352
Support Forces[g]	17,369
Air Force	2,907
Navy	1,483
Total MOD	**208,111**
Counter-Terrorism Bureau	
Special Operations[h]	4,733
Total Iraqi Security Forces	**572,720**

Source: MNSTC-I, response to SIGIR data call, April 12, 2008.

Notes
a. Numbers do not include ministry staffs.
b. Numbers reflect Government of Iraq (GOI) authorizations.
c. MOI strength excludes other services within the MOI, including MOI headquarters personnel, forensics, Facilities Protection Service, and contracted guards.
d. The Iraqi Police Service consists of all provincial police forces (station, patrol, traffic, and special units) assigned to all 18 Iraqi provinces.
e. Includes the National Emergency Response Unit.
f. The MOD authorized numbers are derived from Modified Table of Organization and Equipment (MTOEs), and reflect the 20% manning increase based on the Prime Minister's initiative.
g. Support forces includes logistics units and training centers, all of which are assigned to the Iraqi Army.
h. Does not include personnel assigned to the Counter-Terrorism Bureau (CTB) or Counter-Terrorism Command (CTC) headquarters.

Table 2.34

WEAKNESS IN REPORTING

Between November 2007 and January 2008, the reported MOI trained total was revised downward from 241,960 to 224,606 after duplications in data entry were corrected.[311] This quarter, a SIGIR audit on ISF accounting processes found a number of continuing limitations to the data published quarterly on authorized, assigned, and trained personnel.[312] SIGIR found that a primary reason for the variances in numbers reported over time appears to be the result of changing methodologies from report to report.

In March 2008, DoD noted that both MOD and MOI currently focus more on the numbers of authorized, assigned, and present-for-duty personnel than on the number trained.[313] In April 2007, the Government Accountability Office (GAO) reported that published numbers are inaccurate because the MOD excludes absentees, and the MOI releases questionable data that includes AWOL personnel.[314]

MNSTC-I reported that the MOI initiated a review of personnel accounting in December 2007.[315] The evaluation, which is expected to take several months, focuses on MOI offices and other entities and will "reconcile approved hiring orders against those personnel whom the MOI actually reports as assigned." The goal is to minimize the number of ghost employees and to identify personnel without hiring orders. The MOI also plans to establish a database to connect human resources, payroll, and training management to address personnel accounting.[316]

MINISTRY OF DEFENSE TRAINING PROGRAMS

As of April 9, 2008, the reported number of trained MOD personnel is 202,577,[317] which is an increase of 8,344 since January 2008. The determined force strength authorization is 208,111.[318]

To accompany an increase in authorized force goals, the MOD is expanding the military training system[319] by addressing gaps in leadership training, building training centers, and providing specialty training to enhance the capacity of the Iraqi Army.[320] Annually, there are seven cycles for basic combat, non-commissioned officer (NCO), and Military Occupation Specialty Qualifica-

Figure 2.24

IRAQI TROOP TRAINING AND AUTHORIZATIONS

Sources: DoD, *Measuring Security and Stability in Iraq*, July 2005, October 2005, February 2006, May 2006, August 2006, November 2006, March 2007, June 2007, September 2007, December 2007, and March 2008; Testimony of General David H. Petraeus (4/8/2008)
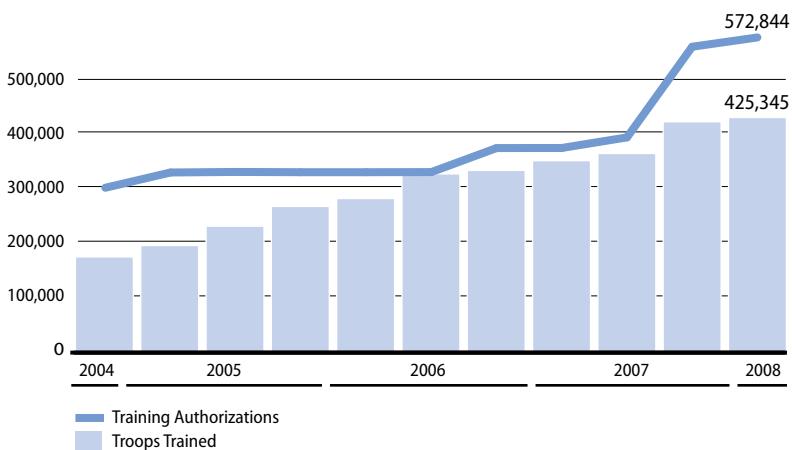
tion trainings, which are conducted across two division training centers and six regional training centers.[321] MNSTC-I has increased capacity at these locations by more than 26,860 trainees per cycle (188,020 per year).[322] Basic combat training capacity has grown significantly, by 21,800 per cycle (152,600 annually).[323]

New courses continue to be added across the branches and across ranks as part of the expansion.[324] Over the last five quarters, training totals have increased overall from 16,927 in the first quarter of 2007 to this quarter's total of 29,061.[325] However, double counting of trainees continues to complicate reporting of these totals. In the fourth quarter of 2007, for example, an accounting error led to a duplication of 22,000 reported MOI personnel.[326]

One of the major impediments to obtaining an accurate training count is that attrition rates for the Iraqi Army are estimated to be 3.6% per month.[327] DoD also noted that MOD AWOL reporting rates lag by more than a month, and, therefore, 27,000 personnel are expected to be removed from the payrolls based on 2007 personnel accounting.[328]

Of particular note, in a recent audit, SIGIR identified the relative shortfall in the size of the officer and NCO corps. The shortage of officers in the Iraqi defense forces remains a significant concern, one that could take a decade to address.[329] DoD recently reported that the Iraqi Army has 30% more NCOs and almost as many commissioned officer positions to fill. This shortage is particularly acute because of increases in the recruitment of enlisted personnel, all of whom require officer supervision.[330]

Advisory Support

As part of the emphasis on training, the United States continues to supply advisors to the MOD. As of April 2008, there were approximately 391 American advisors—78.8% are U.S. military and the remaining are U.S. contractors.[331] The MOD-Advisory Team (AT) and Joint Headquarter-Advisory Team (JHQ-AT) have a combined total of 48 advisors, who work with senior Iraqi officials to strengthen ministerial capacity.[332]

Other subordinate commands under MNSTC-I also provide advisors to the GOI. The Coalition Air Force Transition Team has advisory teams at the operational, strategic, and tactical levels for the Iraqi Air Force. The Naval Transition Team is embedded at the Umm Qasr Naval Base.[333]

MINISTRY OF INTERIOR TRAINING PROGRAMS

As of April 9, 2008, the reported number of MOI trainees totaled 238,216.[334] The GOI has authorized an end-strength of 359,876, which is an increase of 121,660 personnel from the current training total. Also, the MOI has assumed responsibility for all but one training center.[335] Since early May 2007, more than 38,000 recruits graduated from 261 training programs; more than 22,000 completed training this quarter. The Civilian Police Assistance Training Team (CPATT) anticipates that an additional 22,548 recruits will graduate by June 2008.[336]

The GOI continues to expand force-generation plans and has authorized a final force size of 572,720, which is reinforced by the rising rate of MOI training graduation.[337] In 2007, 47,934

enlisted recruits and 1,817 officers completed training. By the end of March 2008, more than 20,400 police recruits and 953 officers had already graduated from training courses.[338]

The MOI has increased officer training capacity by 27% (1,720 seats) at the Baghdad Police College. Capacity for enlisted police grew by 1,800 seats with the creation of a new Baghdad training center.[339] For a comparison of total graduation rates in 2007 to the first quarter of 2008, see Table 2.35.

U.S. Efforts

As police personnel and authorizations continue to expand, the United States is working with the MOI to reduce a training backlog of 72,000[340] (resulting from an influx of new trainees) and to develop a base expansion plan. The goals are to address the issues associated with the rapid growth of the police forces, to standardize training, and to increase training.[341] MSNTC-I and the MOI have also established a joint assessment team to evaluate the standards at training centers.[342]

The United States continues to supply advisors to programs for the ISF and MOI. As of April 2008, CPATT had filled 212 of the allotted 240 advisory positions, and all but 2 positions are staffed by either U.S. military personnel or U.S. contractors.[343]

The rising number of police recruits has affected some advisory efforts. Local police academies have been unable to keep pace with the demand for basic training. They have reduced higher-level training activities (conducted by

International Police Advisors) to provide more basic training courses. However, DoS anticipates that the senior advisors to these classes will be needed again once the wave of recruits advances in training.[344]

The MOI and United States are also working to mitigate sectarian influences by conducting a re-bluing program[345] for the National Police (NP). Currently in the third of four phases, the program retrains eight NP brigades to improve overall operational effectiveness. The final goal is for the NP to establish permanent bases outside of Baghdad.[346]

MOI Training

Service	2007	First quarter 2008
Iraqi Police Service Shurta	30,773	14,304
Iraqi Police Service Officer	1,572	373
IPS Total	**32,345**	**14,677**
National Police Shurta	12,343	3,620
National Police Officer	206	191
NP Total	**12,549**	**3,811**
Department of Border Enforcement Shurta	1,580	1,071
Department of Border Enforcement Officer	0	82
DBE Total	**1,580**	**1,153**
Facilities Protection Service Shurta	3,238	1,436
Facilities Protection Service Officer	39	307
FPS Total	**3,277**	**1,743**
Total Shurta	**47,934**	**20,431**
Total Officer	**1,817**	**953**

Source: MNSTC-I, response to SIGIR data call, April 12, 2008.

Note: Shurtas are police personnel who do not have arrest authority.

Table 2.35

This aim of the current phase, which began in October 2007, is to "incorporate transitional policing skills that are not currently available."[347] Two brigades (824 police) have already completed the seven-week course. [348]Although this phase is expected to end in March 2009, the MOI and NATO are considering a program extension to train an additional four brigades.[349]

The United States is also working to address logistical and technological challenges. MSNTC-I has provided personnel and ISFF funding to address warehouse and maintenance limitations, to improve equipment reporting accountability, and to leverage commercial sites for vehicle repair parts. As part of this assistance, the United States has encouraged the use of technology. There has been some success with logistics and human resources directors, but MNSTC-I reports that, as a whole, the MOI remains reluctant to use information systems. They cite these challenges:[350]

- There is limited access to electricity and the Internet.
- Increased transparency could reveal malfeasance.
- There is an "innate aversion of the workforce" to change from manual methods.
- Iraqis have been hesitant to implement an unproven system.

LOGISTICS

Building Iraqi logistics capacity has become a focus of U.S. efforts, which includes embedded advisory support, training courses, and planning for fixed-base support facilities. To provide for the transition to a self-sustained logistics function in support for the ISF, significant advisory and training support is ongoing. Current plans are to transition all logistics components to self-sufficient GOI institutions by the end of 2008.[351] This delayed goal of an indigenous force logistics capability, however, appears to face additional challenges posed by rapid planned force generation.[352]

Transition to Iraqi Control

The original goal was to transfer all logistics capabilities by January 1, 2008.[353] However, this date has shifted as a result of the requirements of supply and replenishment of combat forces—at the expense of developing combat support, combat servicing, and training.[354] December 2008 is now identified as the anticipated transition to the GOI being "mostly" self-sufficient.[355]

Current plans provide for an ambitious schedule of force generation, training, infrastructure development activities, and the cessation of Coalition funding support to meet this objective. Significant challenges remain,[356] but a baseline level of support for all Iraqi Army divisions is anticipated by July 31, 2008.[357]

These are the top challenges to be overcome in the next year:

- meeting the needs imposed by increased force generation goals on training, basing, supplying, and equipping the ISF[358]
- synchronizing planned force generation requirements with GOI budget execution and Foreign Military Sales delivery schedules[359]
- inadequate ministerial capacity for processing requirements[360]

Training and Advisory Support

In 2007, more than 10,700 MOD personnel underwent training in logistics support. More than 49% of those trained received instruction to support the formation, replenishment, and sustainment of combat/security forces. Nearly 35% of Iraqi Army trainees underwent formal training for combat services support. The remaining personnel were trained to support training schools, and national depots and garrison support units.[361]

Ongoing activities include:

- 13 Logistic Military Advisory Teams, each staffed by 9 advisors who focus on mentoring senior leaders, warehouse operations, ammunition management, petroleum operations, and life support.
- 11 advisors at the Taji National Supply and Maintenance Depots provide mentorship in depot-level maintenance and supply operations, including a range of warehouse, inventory, and shipping and receiving management skills.
- With the assistance of JHQ-AT and Coalition Army Advisory Training Team (CAATT) advisors, Iraqi JHQ staff oversaw the logistics process for FMS equipment at multiple location commands and the Besmaya Combat Training Center.
- CAATT train-the-trainer programs on a wide range of logistics courses.
- Humvee refurbishment program for Iraqi Army mechanics in an on-the-job training program. In April 2008, the first 120 mechanics began this 4-week program.

MNSTC-I also works with the MOD on improving the "capacity to perform the functions of a security institution."[362] Ministerial capacity development occurs simultaneously with strengthening the ability to replenish, generate, and sustain forces.[363]

Although the MOI, unlike the MOD, does not have a formalized logistics system, the NP does have a logistics unit as part of its organization. There are 34 advisors operating within the MOI-Transition Team Administration/Logistics Directorate as well.[364]

PROVINCIAL IRAQI CONTROL

The United States, other Coalition nations, and Iraq are all involved in determining whether a province should be handed back to Iraqi control. This transition process, known as Provincial Iraqi Control (PIC), is an indicator of Iraq's ability to manage the security situation within a given area.

Coalition commanders, GOI provincial government officials, and other provincial security leaders send assessments of area conditions to the Commanding General of the MNC-I. Each month, the Commanding General of MNF-I reviews these assessments.[365] The Iraqi-chartered[366] Joint Committee to Transfer Security Responsibilities also conducts weekly meetings on provincial status and security progress. This meeting is co-chaired by Iraqis and MNF-I[367] to coordinate actions that must be met before transition.[368]

No new provinces achieved PIC status this quarter. To date, nine provinces have been transferred, including Basrah, Thi-Qar, Missan, Najaf, Muthanna, and Kerbala. The three provinces

in the Kurdistan region—Dahuk, Erbil, and Sulaymaniyah—have been transferred to official Regional Iraqi Control. For PIC status and transition dates, see Figure 2.25.

DoD has emphasized that the PIC process depends largely on the security and governance environment in each province. MNF-I has also noted that the timeline for this process is affected by changing events on the ground.[369] As a result, projected transition dates for completion of the PIC process have shifted significantly since the original target date of June 2006. Between December 2006 and December 2007, the date for transition shifted five times. The latest projection pushes the date of PIC process completion back from 2008[370] to early 2009 or later.[371]

This quarter, MNC-I and MNF-I reported that Provisional Security Transition Assessments—which forecast PIC transition—are now classified.[372] Also, for the first time since December 2006, DoD did not report a final date by which handover of all provinces is expected.[373] However, in a subsequent presentation to the Congress, the Commander, MNF-I, provided a projected transfer date for eight of the remaining nine provinces.[374]

MNF-I identified the main issues affecting the pace of PIC transfer:

- Iraqi Police capabilities and corruption
- need for PIC provinces "to maintain the security gains achieved and to improve ISF operational, training, and equipping."[375]

For the status of PIC transfer, see Figure 2.26.

TRANSITION OF FORWARD OPERATING BASES

The closure or handover of Forward Operating Bases (FOBs) is another indication of an area's security preparedness. Handover does not occur until the ISF is considered to be capable of handling security in a given area, at which point Coalition troops begin to draw down. For a comparison of the FOBs between October 2006 and March 2008, see Table 2.36.

POST-TRANSITION STRATEGY

Coalition assistance does not end once a province has been transferred. To offset a lack of trained security forces and other security vulnerabilities, the Coalition remains engaged in logistics support, providing advisors, medical services, and movement security and when necessary, serving as a quick-reaction force.[376] MNF-I reported that PIC metrics are measured against the Joint Campaign Plan, which is a classified document. However, the U.S. Ambassador and the Commanding General, MNF-I, review these assessments quarterly.[377]

Provisional Reconstruction Teams (PRTs), which rely on Coalition-provided life support services and protection, are also affected by the withdrawal of troops. MNF-I will work closely with military and civilian (Embassy) groups to coordinate PRT/ePRT activities and adjust basing requirements,[378] including these ongoing efforts:[379]

- MNF-West will continue to operate in Anbar, but will have fewer FOBs and evolve into an overwatch role after PIC. Support to PRTs/

Figure 2.25

EXTENSION OF TIMELINE FOR PROVINCIAL IRAQI CONTROL OF SECURITY

Sources: DoD; *Measuring Security and Stability in Iraq*; December 2006, March 2007, June 2007, September 2007, December 2007

Original target date of PIC transfer of security control to Iraqis set for June 2006

ANTICIPATED PIC DATE

- Original target date of PIC transfer of security control to Iraqis set for June 2006
- Extended per December 2006 *9010 Report*
- Extended per March 2007 *9010 Report*
- Extended per June 2007 *9010 Report*
- Extended per September 2007 *9010 Report*
- Extended per December 2007 *9010 Report*
- Extended per General Petraeus April 8, 2008 Testimony before the Senate Armed Services Committee
- Achieved PIC Status

Note: Provinces that have achieved PIC status are shown in bold.

Figure 2.26

PROVINCES TRANSFERRED TO PROVINCIAL IRAQI CONTROL
Source: Multi-National Force-Iraq, Provincial Iraqi Control, www.mnf-iraq.com (1/17/2008)

DAHUK
May 2007

ERBIL
May 2007

SULAYMANIYAH
May 2007

KERBALA
October 2007

MISSAN
April 2007

THI-QAR
September 2006

NAJAF
December 2006

BASRAH
December 2007

MUTHANNA
July 2006

◼ Province Transferred to Provincial Iraqi Control
◼ Not Yet Transferred
◼ Kurdistan Region; Provinces have collectively been
  returned to Regional Iraqi Control (RIC)
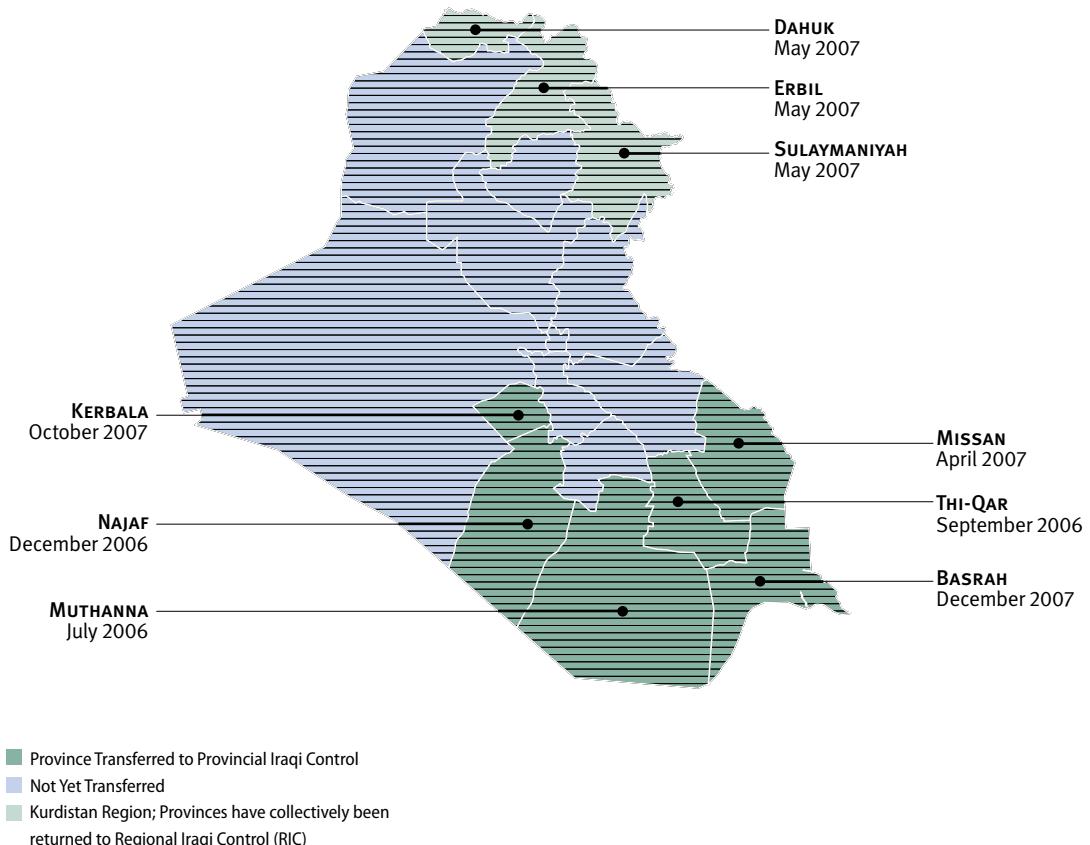
TRANSFER OF FORWARD OPERATING BASES

DATE	FOBs	# TRANSFERRED	% TRANSFERRED
October 2006	110	52	47.3%
June 2007	122	61	50.0%
September 2007	125	61	48.8%
November 2007	125	61	48.8%
January 2008	125	63	50.4%

Source: DoD, *Measuring Stability and Security in Iraq*, November 2006, June 2007, September 2007, December 2007, and March 2008.

**Note:** DoD did not report on FOBs in March 2007.

TABLE 2.36

Figure 2.27

DISTRIBUTION OF SONS OF IRAQ
Source: Testimony of General David H. Petraeus (4/8/2008)

DENSITY

Least   Most
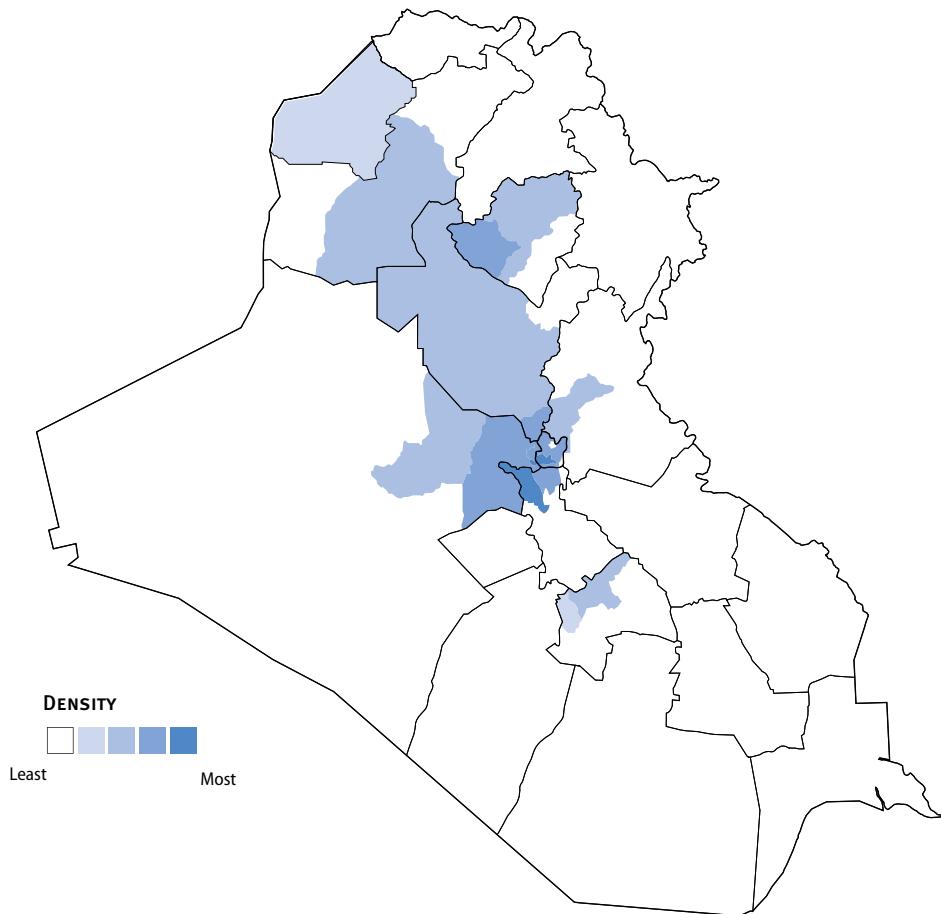
ePRTs will come from remaining FOBs.

- MNF-Southeast provides medical services, transportation, logistics, and life support in three provinces that have already transitioned security control: Missan, Thi-Qar, and Muthanna.

SONS OF IRAQ

Created in 2007, the Sons of Iraq—previously known as Concerned Local Citizens—are part of the surge policy.[380] These largely CERP-funded contractor groups are intended to serve as an additional layer of counterinsurgency protection at the neighborhood and community level. MNC-I reported that the goal is to have sufficient ISF on hand to phase out the Sons of Iraq.[381]

In January 2008, MNC-I reported that the Sons of Iraq had 80,000 members,[382] and by April 2008, their ranks had reportedly grown to 91,641 contracted members.[383] For the distribution of the Sons of Iraq, see Figure 2.27.

Sons of Iraq members are contracted for 90 days,[384] and the rate of renewal ranges from approximately 50% to 98%.[385] There is also no predetermined limit for contract payments. However, DoD reported that termination of payments will take place as members transition into vocational programs or when the GOI assumes control over these contracts.[386]

The CERP is the primary funding source for the program, although the GOI pays for some portion through security contracts.[387] MNF-I

projects that FY 2008 funding for programs that support the Sons of Iraq will cost approximately $370 million and that FY 2009 funding should decrease as members transition to serve in the ISF or into civilian employment.[388]

Recent trends in obligations suggest that the activities of the Sons of Iraq are increasingly the focus of CERP outlays under the Protective Measures category. FY 2008 obligations have increased 95.5% in this category.[389]

MNC-I reported the per-citizen monthly pay-out at no more than $350 per citizen,[390] with an average monthly CERP cost of approximately $16 million.[391] Budgeting is conducted internally in four of the five Coalition Divisions (MND-N, MNF-W, MND-C and MND-B). MNC-I oversees budgeting for MND-CS and uses the number of highway kilometers patrolled by the Sons of Iraq to plan funding.[392]

Last quarter, MNC-I noted that program measurements included the rate of reduced violence in a specific area and "subjective assessments, such as relationships with ISF in sector, acceptance in the community, standards of personal behavior, etc."[393]

TRANSITIONING THE SONS OF IRAQ

Although currently limited in scope, transitioning group members into the ISF has already begun. However, the GOI continues to debate the future of the program and the extent to which members should be integrated into the wider ISF apparatus.[394] MNF-I reported that the Sons of Iraq have contributed to a decrease in violence—including a 65% increase in the number of weapons caches found—and reductions in ISF, civilian, and vehicle losses.[395]

As of April 2008, more than 21,100 members of the Sons of Iraq have transitioned—8,206 in Anbar province alone.[396] MNF-I reported that, as of March 23, 2008, 8,241 members of the Sons of Iraq were currently in the ISF transition pipeline.[397]

Some members are also moving to civilian employment. Of the more than 4,500 currently transitioning to civilian programs, 95% are funded by the Coalition, and the remaining 5% are GOI-sponsored.[398] MNF-I and MNC-I have oversight of transition planning, and MNF-I expects a significant rise in GOI-funded transitions once the Civil Service Corps and Joint Technical Education and Reintegration programs are fully operational. The GOI has budgeted $70 million in disarmament, demobilization, and reintegration funds, and an additional $126 million in FY 2007 for a vocational training program for former Sons of Iraq members.[399] As of March 31, 2008, MNF-I plans to transition 30,000 to 40,000 members by the end of 2008.[400]

IRAQ'S ECONOMY

Iraq's economy is benefiting from higher oil prices.[401] The Department of State (DoS) estimates that the Government of Iraq (GOI) earned $41 billion in oil revenue during 2007.[402] This quarter, Iraqi oil revenue is estimated at $18.2 billion; annualized, oil revenue could yield an income of $70 billion.[403] The GOI projected $35.5 billion in the 2008 budget, based on $57 per barrel at 1.7 million barrels per day (MBPD).[404]

The International Monetary Fund (IMF) stated that economic activity outside the oil sector should pick up as well, "provided that further security improvements allow execution of the public investment program and a return to a more normal functioning of the economy."[405] Nonetheless, a number of other improvements continue to be needed to facilitate the overall delivery of services and to foster greater economic growth.[406]

The GOI has committed to passing laws that strengthen its economy, taking steps to speed economic development projects that could not be undertaken in previous years. Rebuilding infrastructure and improving the provision of electricity, water and sanitation, education, and health care are critical priorities in promoting economic activity.[407] U.S. projects continue to support the GOI in rebuilding its infrastructure and strengthening Iraq's economy.

On April 8, 2008, the U.S. Ambassador to Iraq testified on the overall status of Iraq's economy. He noted some gains, but described Iraq's economy as "fragile." These are the needs he identified as key to ensuring that the gains are not reversed:[408]

- continue to improve governmental capacity
- pass national hydrocarbon legislation
- improve electrical production and distribution
- improve the climate for foreign and domestic investment
- create more short- and long-term jobs
- tackle the structural and economic problems of the vital agricultural sector

IRAQ'S ECONOMY AND THE INTERNATIONAL COMPACT

The establishment of the *International Compact with Iraq* (Compact) in May 2007 was a significant beginning for the transition of reconstruction responsibilities from the United States and the international community to the GOI.

The Compact outlines, among many other things, the Iraqi commitment to action for

Economic Benchmarks Established by the GOI in the International Compact

Sector	Sample of Related International Compact Benchmarks
Oil and Gas	Establish and implement a petroleum revenue sharing framework. Pass and implement a Hydrocarbon Law and Fiscal Regime. Establish and implement mechanisms to ensure transparency of petroleum sector flows.
Electricity	Pass and implement legislation and undertake measures to align the sector's institutional and legal framework with good practice. Implement an adequately funded sector rehabilitation strategy.
Water	Undertake specific measures to ensure universal access to water and sanitation services. Negotiate trans-boundary water agreements with neighboring countries.
Agriculture	Undertake specific measures to liberalize the agricultural market. Increase access to agricultural credit through financial market reforms.
Manufacturing	Design and implement policies regarding legislation and institutions from the restructuring of state-owned enterprises (SOEs). Remove key private sector development constraints.
Banking and Finance	Undertake specific measures to restructure state-owned banks. Undertake specific measures to promote private banking.
Health Care	Undertake specific measures to improve access to the primary health care system and focus on prevention and healthy life style. Improve administration and emergency management in the health care system.
Education	Achieve universal access to basic education. Carry out specific activities to promote adult literacy and skills training, early childhood development, and life-skills training.

Source: *International Compact with Iraq*, Annex IV—Joint Monitoring Matrix, May 2007.

Table 2.37

reconstruction. Table 2.37 lists a sample of the benchmarks established by the GOI that affect Iraq's economic development and its integration into the regional and global economy. The IMF Stand-By Arrangements (SBAs) set an additional framework for GOI actions to demonstrate a basis for continued support. For additional information on the IMF's efforts, see Appendix M, *International Relief and Support for Iraq*.

ECONOMIC INDICATORS

Iraq's gross domestic product (GDP) was estimated at $55.44 billion for 2007,[409] and economic growth is projected to exceed 7% in 2008.[410] Other economic indicators point to Iraq's slow economic recovery.

INFLATION

Inflation in Iraq is down sharply from last year—5.6% in March 2008, compared to 36.6% in March 2007.[411] Price inflation was controlled in 2007 through exchange rate appreciation, tightening of monetary policy, fiscal discipline, and measures to reduce fuel shortages.[412]

In 2007, the Central Bank of Iraq (CBI) sought to curb rising inflation by raising the interest rate for use of its standing facilities, which is similar to the overnight lending rate in the United States. The CBI's policy rate remained at 20% from January 2007 until February 2008.[413] The CBI cut interest rates twice this quarter, signaling confidence that inflation has stabilized.[414] In February 2008, rates were lowered to 19%, and in March, to 17%. For Iraq's year-on-year inflation rate shown against the CBI policy rate, see Figure 2.28. December 2007 (4.7%), January 2008

Figure 2.28

OVERALL PRICE INFLATION RATE (YEAR-ON-YEAR)
Source: Central Bank of Iraq, *Key Financial Indicators* (4/2/2008); U.S. Treasury, Response to SIGIR Data Call (4/15/2008)
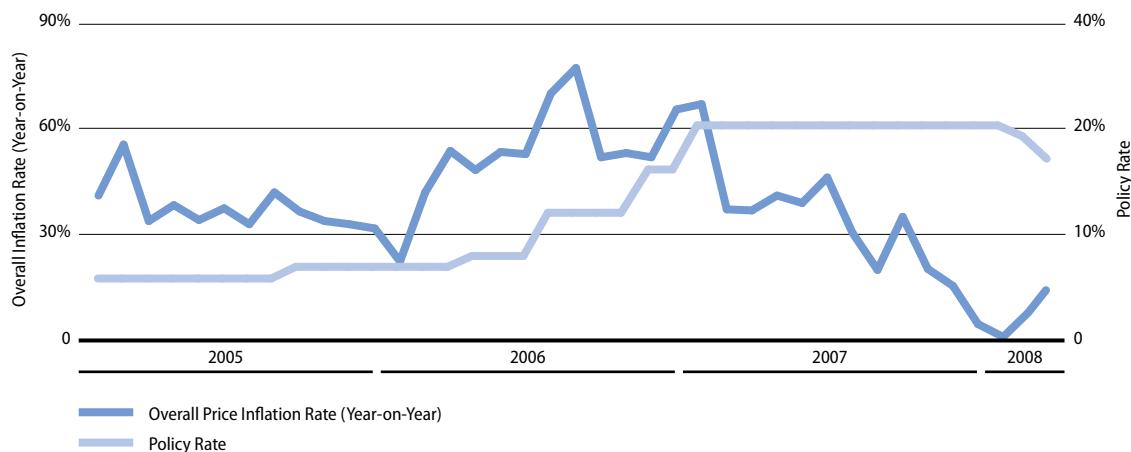
(1.3%), and February 2008 (8.1%) were the first three months of single-digit, year-on-year overall inflation since the fall of Saddam Hussein.[415]

The dinar continued to strengthen relative to the U.S. dollar, and the exchange rate was 1,205 dinars to one U.S. dollar, as of April 3, 2008.[416] The dinar has appreciated by 5% since April 2007; for the most part, the appreciation has been a response to the high inflation of last year.[417]

UNEMPLOYMENT RATE

As part of the Compact agreement, the GOI set goals of reducing unemployment by half and doubling non-agricultural labor force participation for women.[418] Although official GOI estimates for unemployment remain at 17.6%, and underemployment at 38.1%, other unemployment estimates range as high as 50% in some areas.[419] In an effort to provide more consistent reporting, Iraq's Central Organization of Statistics and Information Technology is conducting a new employment survey to update the country's unemployment statistics.[420]

U.S. Employment of Iraqis

The Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) oversees the **Iraqi First Program**, which aims to increase the number of U.S. reconstruction contracts awarded to local Iraqi firms. These are the statistics for the program for December 1, 2007, through March 16, 2008:[421]

- awarded nearly $427 million in contracts to Iraqi businesses
- awarded nearly 27% of total contracting dollars to Iraqi vendors
- awarded more than 61% of total contracting actions to Iraqi businesses

As of March 17, 2008, more than 4,300 Iraqi companies were registered under the program; this represents a 17% increase over last quarter. The United States has awarded over $2.8 billion in contracts to Iraqi First vendors since October 2006,[422] and MNF-I estimates that the Iraqi First Program has created more than 80,000 sustained jobs.[423]

In addition to this JCC-I/A program, other U.S.-funded initiatives managed by USAID, GRD, and MNSTC-I aim to provide both short-term and long-term employment to local Iraqis. Through its **Plant-level Capacity Development**

and Technical Training Program, GRD aims to hire and integrate local Iraqis and Iraqi businesses into the reconstruction process. For example, the GRD Iraqi Women's Initiative has led to the training of more than 6,000 Iraqi women and the award of over 1,600 contracts by GRD and JCC-I/A under the reconstruction program.[424]

Employment generation has been a predominant focus of ESF's **Community Stabilization Program (CSP)**.[425] However, an audit released this quarter by USAID OIG found that the results reported for the measurement of employment generation through the program were inadequately substantiated. The audit stated that "even though employment targets were claimed to have been exceeded, the lack of adequate substantiation diminishes the credibility of these claims."[426] For more information on this program, see the discussion of the *Economic Support Fund* earlier in this section.

OIL AND GAS

This quarter, Iraq matched the records in average daily oil production and export that it reached last quarter. Production averaged 2.384 MBPD, and exports averaged 1.970 MBPD for the quarter.[427] These levels were reached despite fighting and pipeline attacks in Basrah that resulted in the first disruption of oil exports from southern Iraq since 2004.[428] Two southern oil fields—which historically pump 100,000 barrels per day—experienced a week of shutdown following an attack during the week of March 27, 2008.[429] Iraq used stored oil to minimize the effect on oil exports.[430]

These monthly highs were also reached:[431]

- Exports for the month of March 2008 averaged 2.049 MBPD—the highest monthly average since the war started.
- Production for February 2008 averaged 2.506 MBPD—the highest monthly average since September 2004.

Daily oil production averaged 2.58 MBPD from 1998 to 2002.[432] For the monthly average production and exports since mid-2003, see Figure 2.29.

The oil sector provides about 95% of Iraq's foreign exchange earnings.[433] Price increases for Iraqi crude oil over the last five years—from an annual average price of $25.91 per barrel in 2003 to an average price of $91.66 per barrel in the first quarter of 2008—have driven increases in the size of the GOI's budget. Although both crude production and crude exports are above target levels, Iraq is not taking full advantage of higher oil prices. Inadequate investment in the infrastructure hindered production and export gains.[434]

The United States has obligated more than $1.93 billion and expended $1.83 billion in the oil and gas sector.[435] For a sample of some of the largest completed U.S. oil projects since 2003, see Table 2.38.

PRODUCTION AND EXPORTS

Iraq's recent SBA with the IMF includes an average production goal of 2.2 MBPD and an average export goal of 1.7 MBPD for 2008. Iraq exceeded both of these targets for the first three months of 2008. Exports through the Ceyhan pipeline to Turkey accounted for most of the increase in this

Figure 2.29

IRAQ'S PRODUCTION AND EXPORT OF CRUDE OIL VS. MARKET PRICE FOR OIL
Millions of Barrels per Day (MBPD), Dollars per Barrel
Source: ITAO, *Monthly Import, Production, and Export Spreadsheet* (April 2008);
U.S. Energy Information Administration, "World Crude Oil Prices: OPEC Average" (4/11/2008)
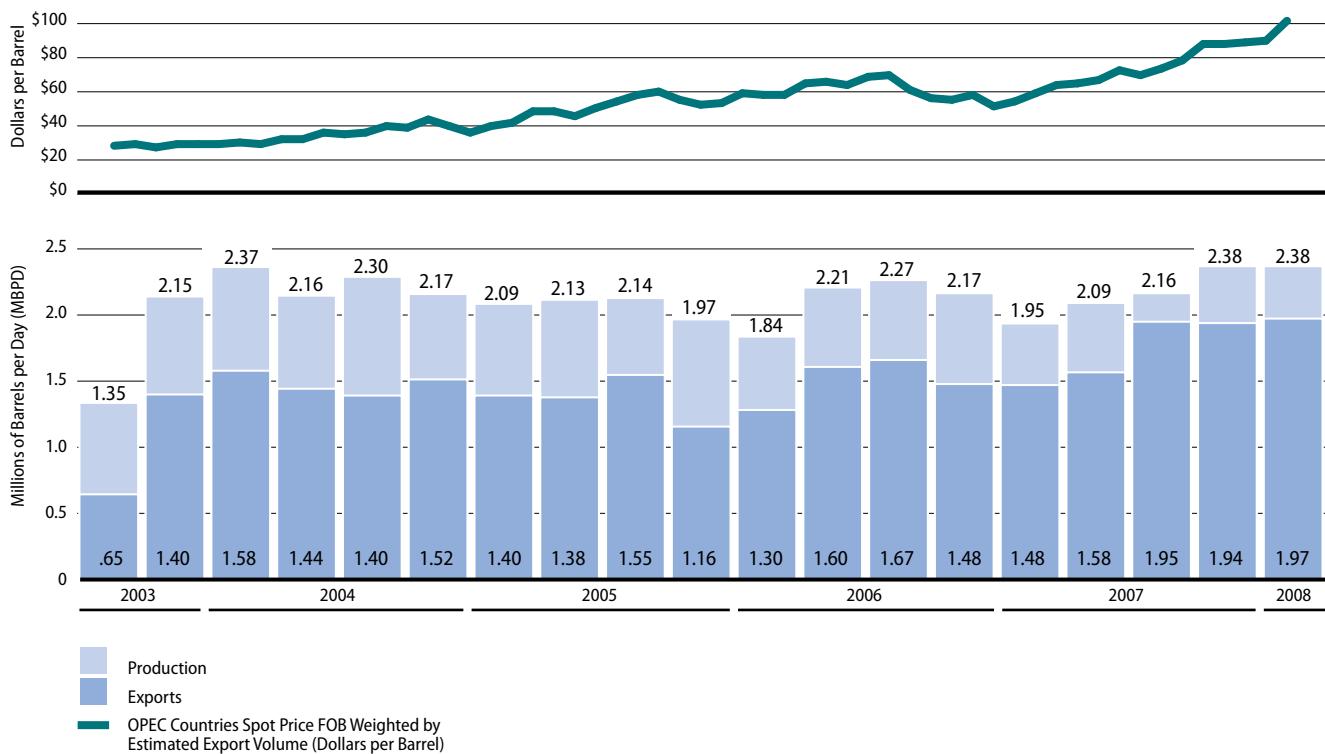
Note: NEA-I, response to SIGIR data call, April 16, 2008, noted that ITAO's oil data for Iraq differs from NEA-I data for production, exports, and refined fuels.
a Iraq does not receive the OPEC average for its oil. Average price for Iraqi crude oil in 2003 was $25.91 per barrel and $91.66 per barrel in the first quarter of 2008. Source: NEA-I, response to SIGIR data call, April 16, 2008.

LARGEST COMPLETED U.S. OIL PROJECTS

PROJECT	LOCATION	FUND	TOTAL COST ($ MILLIONS)	DATE COMPLETED
Well Workover	Basrah	IRRF	$150.00	5/12/2007
Al Fatah Pipe Crossing	Tameem	IRRF	$73.00	4/1//2006
Al Basrah Oil Terminal	Basrah	IRRF	$65.40	Not Available
North Rumaila NGL	Basrah	IRRF	$37.53	5/29/2007
LPG Storage at Umm Qasr	Basrah	IRRF	$32.13	5/29/2007

Source: GRD, response to SIGIR data call for top five projects by sector, March 17, 2008; IRMS, *ITAO Rollup*, March 28, 2008; DoS, response to SIGIR data call, April 16, 2008.

Note: Heavy equipment and vehicles for the Ministry of Oil totaled $263.22 million in the *ITAO Rollup*. Oil Sector overheads totaled $251.18 million, and management and administration accounted for $114.22 million. Because these are not projects, they are not listed in the above table. This table reflects data available at the time of publication, which includes data from multiple sources and reflects the best estimate of costs and results based on reporting provided to SIGIR.

TABLE 2.38

Figure 2.30

CRUDE OIL PRODUCTION BY REGION
Millions of Barrels per Day (MBPD)
Source: ITAO, *Monthly Import, Production and Export Spreadsheet* (April 2008)
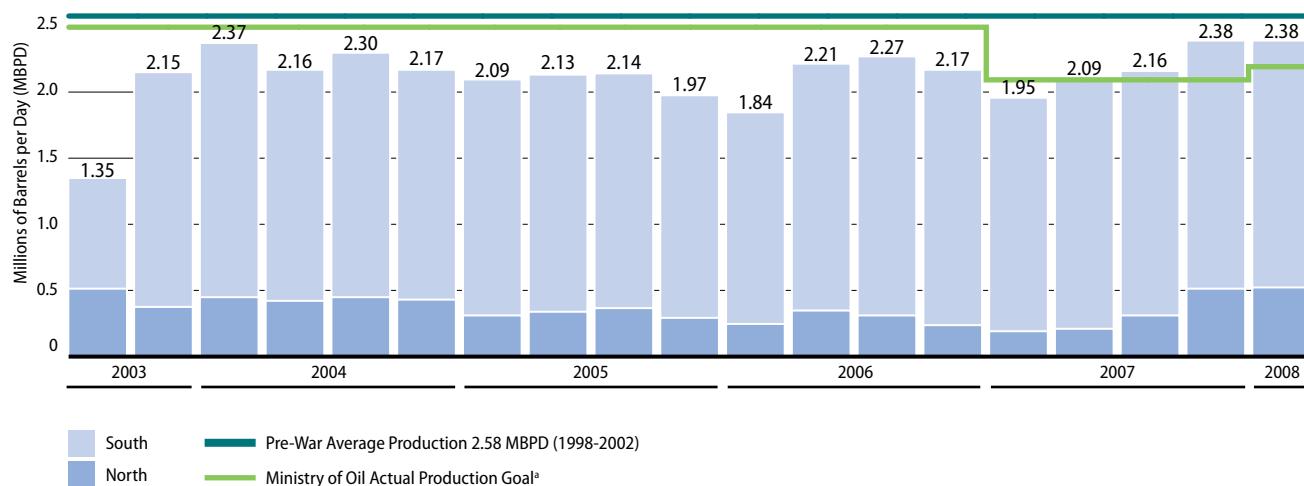
Note: Numbers are affected by rounding. NEA-I, response to SIGIR data call, April 16, 2008, noted that ITAO's oil data for Iraq differs from NEA-I data for production, exports, and refined fuels.
a In January 2007, the Ministry of Oil changed its goal from 2.5 MBPD to 2.1 MBPD because the Al Basrah Oil Terminal was shut down for upgrade of the meters and maintenance. The 2.1 MBPD was the GOI's 2007 annual average worked out with the IMF. The 2.5 MBPD was established in 2004 after conversations between GRD and Ministry of Oil. (NEA-I, responses to SIGIR, October 22, 2007, and January 7, 2008.) Iraq's recent SBA with the IMF raised the average production goal of 2.2 MBPD for 2008.

quarter's export average. Pipeline flow increased by more than 8%, or a quarterly average increase of 30,000 barrels per day.[436]

Crude oil production declined in January 2008 to 2.242 MBPD from the 2.440 MBPD level reached in December 2007.[437] ITAO attributed the decline to rougher seas, caused by winter weather that prevents ships from continuously loading oil. Moreover, disruptions to pipelines from one of the southern fields temporarily reduced output.[438] For an overview of Iraq's crude oil production by region since June 2003, see Figure 2.30.

DEVELOPING IRAQ'S OIL FIELDS

Raising oil production remains critical to providing Iraq with the resources needed for its reconstruction and economic recovery.[439] Iraq's

new SBA with the IMF focuses on increased investment and output in the oil sector. The GOI established a goal in the Compact to increase crude oil output to 3.5 MBPD by 2010.[440]

To that end, the GOI is seeking to develop relationships with foreign oil companies to develop Iraq's oil fields. The Ministry of Oil has announced plans to conclude technical service agreements with several major international oil companies to improve operations at oil fields in Kirkuk and South Rumaila. The Ministry of Oil has said that its plans could increase production by 500,000 barrels per day.[441]

Major international oil companies have expressed interest in supporting this development. Although negotiations have started with several companies, the Ministry of Oil has not yet completed any contracts.[442] Long-term

Figure 2.31

REFINED FUEL—PRODUCTION AND IMPORTS
Source: ITAO, *Monthly Import, Production and Export Spreadsheet* (April 2008)
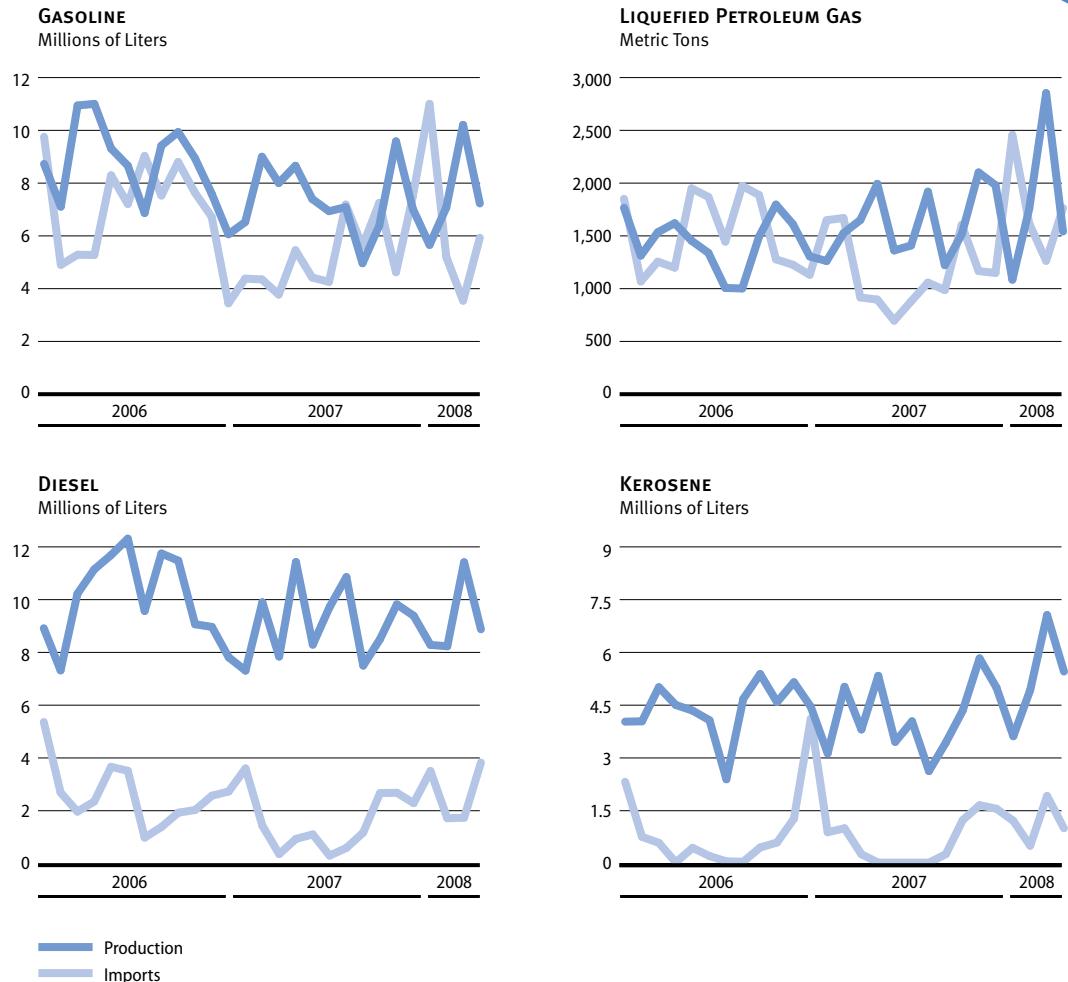
GASOLINE
Millions of Liters

LIQUEFIED PETROLEUM GAS
Metric Tons

DIESEL
Millions of Liters

KEROSENE
Millions of Liters

Production
Imports

Note: NEA-I, response to SIGIR data call, April 16, 2008, noted that ITAO's oil data for Iraq differs from NEA-I data for production, exports, and refined fuels.

development contracts are hindered by the lack of hydrocarbon legislation and concerns about continuing security issues. Until national hydrocarbon legislation passes, the GOI may be able to sign only ancillary service contracts to boost oil production.[443] This, combined with the GOI's unwillingness to offer favorable contract terms, has also led to delays in completing contracts.[444]

Simultaneously, the Kurdistan Regional Government (KRG) is negotiating with a number of major international oil companies to develop and tap oil fields within its region. Although the KRG passed its own hydrocarbon legislation in August 2007, the GOI stated last quarter that compa-

nies signing agreements with the KRG before passage of national hydrocarbon legislation may be excluded from future cooperation with the Ministry of Oil.[445]

REFINED FUELS

Notwithstanding the improvements in crude oil production, Iraq continues to struggle to provide refined fuels (gasoline, diesel, kerosene, and liquefied petroleum gas). Iraq imports almost as much refined fuel as it produces domestically. For a summary of refined fuel supplies since the beginning of 2006, see Figure 2.31.

Several recent production disruptions at Iraq's

SIGIR Inspection team examining the oil pipeline at Al Fatah.

refineries exacerbated the shortfall in refined fuels. In December 2007, a fire at the Doura refinery stopped production for a week.[446] On January 7, 2008, Iraq's largest refinery, in Baiji, experienced a fire. In the south, the Basrah refinery also reported a fire in one of its facilities.[447]

The Ministry of Oil plans to build a large oil refinery in Nassriya to increase Iraq's refining capacity by 300,000 BPD.[448] As of March 31, 2008, the Ministry of Oil was attempting to finalize negotiations for a contract covering a study, front-end engineering, and design. However, negotiations were in a stalemate over the commercial terms required by the current procurement regulations.[449]

The Ministry of Oil and the North Oil Company are working to restore four processing units at the New Kirkuk Stabilization Plant, where only one tower has been operational since the plant was attacked early in 2006. Each unit has a capacity of 250,000 BPD. Two additional towers at the plant are 85% complete. This phase of the facility project is expected to be complete by April 2008, when work on the third inactive tower will begin.[450]

PIPELINE SECURITY

Iraq's oil pipelines have been the focus of targeted attacks since the beginning of the war. To address this issue, a number of U.S.-funded projects have been implemented to protect Iraq's oil pipelines through the creation of pipeline exclusion zones (PEZ). Four PEZ projects are currently underway to protect pipelines in central Iraq:[451]

- Kirkuk to Baiji: Completion is scheduled for April 30, 2008.
- Doura to Hilla: Completion is scheduled for October 8, 2008.
- Baiji to Baghdad: Completion is scheduled for November 21, 2008.
- Baghdad to Kerbala: Completion is scheduled for July 9, 2009.

The United States also provided rapid-repair kits through a project worth $20 million. Both PEZ and rapid-repair efforts are supported by the Infrastructure Security Protection Program, which is funded by $227 million of the ESF. Nearly 48% of the program's funds have been allocated to PEZ projects.[452]

The multi-phase PEZ program has been credited with a rise in consistent exports and reduc-

Iraq continues to burn off natural gas from its oil fields because it lacks capacity to store and transport it.

tion of oil pipeline interdictions. Notable development this quarter included the restoration of crude flow to Ceyhan, Turkey, due to the repair of the northern pipelines; ongoing construction of the exclusion zones for the Kirkuk to Baiji pipeline corridor; and the GOI's work to restore the northern New Stabilization Plant.[453]

These PEZ projects and follow-on pipeline repairs have helped to significantly improve Iraq's export capabilities to the north. The GOI was able to increase the production amount from 159,000 BPD in March 2007 to 520,000 BPD in November 2007.[454]

METERING

Oil smuggling continues to be an issue, despite government efforts to combat the problem. A metering system is one step to curtail oil smuggling. Annex IV of the Compact noted that by the end of 2007, Iraq would install, fix, and/or regulate oil-flow meters at all oil production and distribution facilities. The Ministry of Oil has a three-year program to install the required metering systems. For 2007 and 2008, the ministry has

been working to identify and procure the equipment, and during 2009, each operating company will install the equipment.[455]

U.S. funds supported the installation and renovation of the meters at the Al Basrah Oil Terminal Offshore Terminal.[456] However, according to GRD, "the new meters are still not being used for custody transfer."[457] The South Oil Company (SOC) is contracting with a measurements surveyor to assist with establishing operations so that the meters can record the custody transfer/billing amount on invoices—a step that is necessary before the Iraqi State Oil Marketing Organization and SOC can gain customer acceptance.

GRD installed the meters in accordance with the international standards; however, the SOC must operate and maintain the meters according to those same standards before customers will agree to use them for custody transfer. The meters are being used to check the ship's ullage readings, which determine the custody transfer amount.[458]

OVERSIGHT

Plans are underway to transition all oversight responsibilities of Iraq's oil revenue account to an Iraqi committee by the end of the 2008. The Committee of Financial Experts (all Iraqi)—chaired by the President of the Board of Supreme Audit—will prepare to take over the audit oversight role of the Development Fund for Iraq (DFI), through which all oil revenues are channeled.[459]

The International Advisory and Monitoring Board (IAMB) has performed oversight of Iraq's oil revenue since December 2003.[460] Since May 2003, more than $100 billion has been channeled through the DFI, and most finances the GOI.[461] The IAMB has been working with the Committee of Financial Experts to ensure a smooth transition of oversight responsibilities.

IRAQI CAPITAL INVESTMENT PROGRAM

Iraq's oil infrastructure has had very few capital improvements outside of U.S.-funded efforts over the past few years. According to GRD, there are no more resources within the U.S. reconstruction program for oil projects.[462]

The GOI capital investment budget for 2008 allocates $2 billion to the Ministry of Oil. However, this quarter, ITAO reported a conservative forecast that only about 50% of that would be committed during the year. Challenges in executing the GOI's investment program include:[463]

- restrictions imposed by a poor administrative system within the GOI
- poor procurement regulations
- lack of proper commercial laws

Iraq's oil sector remains in very poor condition. ITAO noted that, "within a functioning environment, a Capital Investment Program of approximately $100 billion or more would be expected" to rebuild Iraq's oil infrastructure.[464]

NATIONAL ENERGY PLAN

The lack of coordination between the Ministries of Electricity and Oil continues to impede both electricity and oil production in Iraq. At the U.S.-Iraq Dialogue on Economic Cooperation in February 2008, GOI officials indicated an interest in pursuing a national energy strategy; no concrete plan has yet emerged.[465]

The KRG, through the Erbil Regional Reconstruction Team, requested assistance from USAID's Local Governance Program (LGP) to develop an electricity master plan for the Kurdistan region. The plan has been drafted, and the Regional Reconstruction Team and KRG authorities are currently reviewing the draft. Publication of the document is scheduled in April 2008; a conference to discuss the plan and outline its implementation will be held in May 2008. The LGP will not be involved in the implementation of the plan.[466]

ELECTRICITY

Average electricity production for the quarter dropped below pre-war levels.[467] This quarter, both the average capacity and output declined because of planned winter generation plant maintenance.[468] The average daily production was 3,985 megawatts (MW) per day (including an average of 225 MW imported).[469] Demand continued to

exceed supply, averaging 7,883 MW per day for the quarter.[470]

The operating capacity of Iraq's electrical system increased from 4,300 MW, from the end of the war in 2003, to nearly 10,000 MW, as of March 2008.[471] However, climbing demand and uneven distribution among the provinces continue to impede Iraq's progress in extending this essential service to its citizens.

The United States has obligated approximately $4.91 billion and expended $4.46 billion in Iraq's electricity sector.[472] For a sample of the largest U.S. projects in this sector, see Table 2.39. Approximately 2,200 MW in new and rehabilitated power has been added as result of U.S.-funded projects.[473]

PRODUCTION

Despite record levels of electricity production at the end of 2007, electricity output declined in the early months of 2008. Electricity production declined in January 2008,[474] dropping to an average of 3,718 MW per day from the December 2007 daily average of 4,431 MW (including imports).[475] Production rebounded in February (3,966 MW) and March (4,271 MW), bumping the quarterly average to 3,985 MW per day, which includes an average of 225 MW imported.[476]

TOP FIVE U.S. PROJECTS IN THE ELECTRICITY SECTOR

PROJECT	LOCATION	FUND	TOTAL COST ($ MILLIONS)	OUTCOMES	% COMPLETE
Kirkuk Substation Combustion Turbines	Tameem	IRRF 1	$205.16	Installation of two new gas combustion turbines, a 65-MW unit and a 260-MW unit; completed 11/29/2005	100%
Qudas Expansion	Qudas	IRRF 2	$162.73	Will add enough power to serve between 180,000 and 235,000 homes	73%
Khor Zubair New Generation	Basrah	IRRF 2	$111.38	Essentially doubled the output of the plant; increased Iraq's national grid capacity by approximately 5%; completed 1/6/2006	100%
Doura Power Plant Rehabilitation	Baghdad	IRRF 2	$90.80	Contractor completed SOW requirements to rehabilitate Units 5 and 6; however, neither was operational as of June 10, 2007	100%
Baiji-Haditha-Qaim Overhead Line Salah Al-Din & Anbar Provinces	Salah Al-Din & Anbar	IRRF 2	$84.77	Will transmit additional power to serve industrial, commercial, and residential demands	88%

Sources: GRD, response to SIGIR data call, March 17, 2008; SIGIR Assessment PA-07-103, "Doura Power Station, Units 5 and 6," July 18, 2007; USAID, *Activities Report*, April 14, 2008; USAID OIG Report No. E-267-05-003-P, "Audit of USAID/Iraq's Electrical Power Sector Activities," June 29, 2005.

Note: This table reflects data available at the time of publication, which includes data from multiple sources and reflects the best estimate of costs and results based on reporting provided to SIGIR.

TABLE 2.39

Megawatt-hours (MWh), which is the measure of electricity output over time, was 95,372 MWh this quarter—a decrease of 9% since last quarter, yet an increase of 11% from the same quarter last year.[477]

Reductions in recent quarters are attributed to planned outages,[478] and this quarter, Iraqi production recorded an increase of nearly 12% from the level reported last year at this time. For a review of Iraq's electricity production since 2006, see Figure 2.32.

GENERATION CAPACITY

ITAO noted this quarter that an increase in capacity of 2,600 MW in the last four years and higher outputs have been achieved by the rehabilitation, rebuilding, and construction of generation assets, as well as productivity improvements provided through U.S.-funded O&M and sustainment programs.[479] Total capacity this quarter averaged 9,600 MW per day, nearly a 13% increase from the quarterly average for station-feasible capacity from the same quarter last year.[480]

Figure 2.32

IRAQ ELECTRICITY—AVERAGE MONTHLY PRODUCTION
Megawatts (MW)
Sources: IMF, "Iraq: Statistical Appendix," August 2007; 2007—2008 Average Electricity: ITAO, *IRMO Electric Daily Units Performance Report* (1/1/2007—3/27/2008); ITAO, Response to SIGIR Data Call (4/12/2008); IRMO, *Weekly Status Reports* (7/4/2006—12/26/2006)

Demand[a]

Average Production[b]

Pre-war Production Level[c]
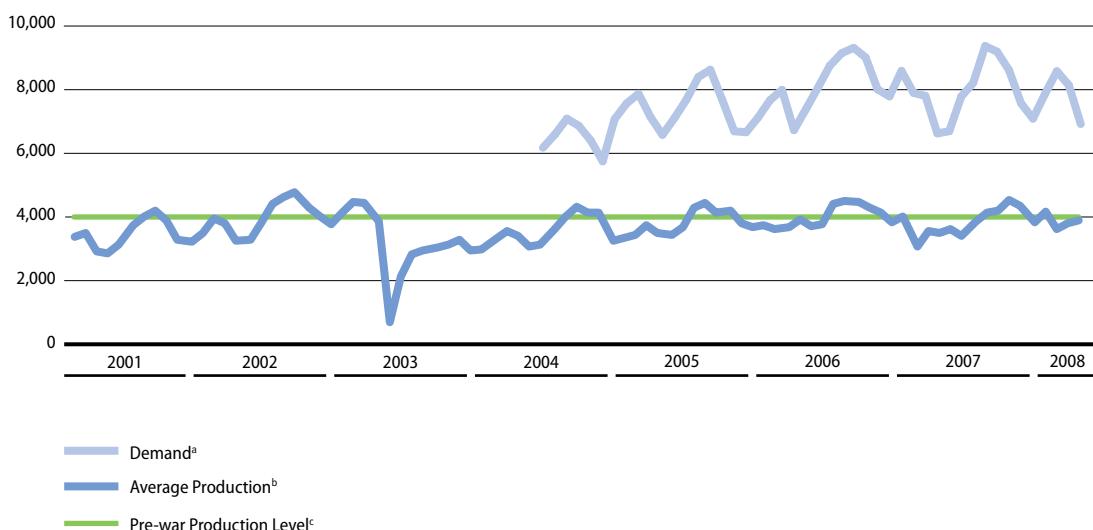
Note: Numbers are affected by rounding. Data in this graphic excludes imports. Demand numbers for July 2006 to December 2006 were compiled using IRMO *Weekly Status Reports.*
[a] 2007-2008 demand based on ITAO, *IRMO Electric Daily Units Performance Report.*
[b] The IMF Statistical Appendix reported average monthly production through 2006; 2007-2008 data points were compiled from the ITAO, *IRMO Electric Daily Units Performance Report.*
[c] The pre-war level (4,075 MW) is an average of monthly IMF data on Iraq's electricity production for March 2002 through March 2003.

Figure 2.33

ELECTRICITY IMPORTS
Megawatts (MW)
Source: ITAO, *IRMO Electric Daily Units Performance Report* (6/1/2006—3/27/2008)

Imports from Iran
Imports from Turkey
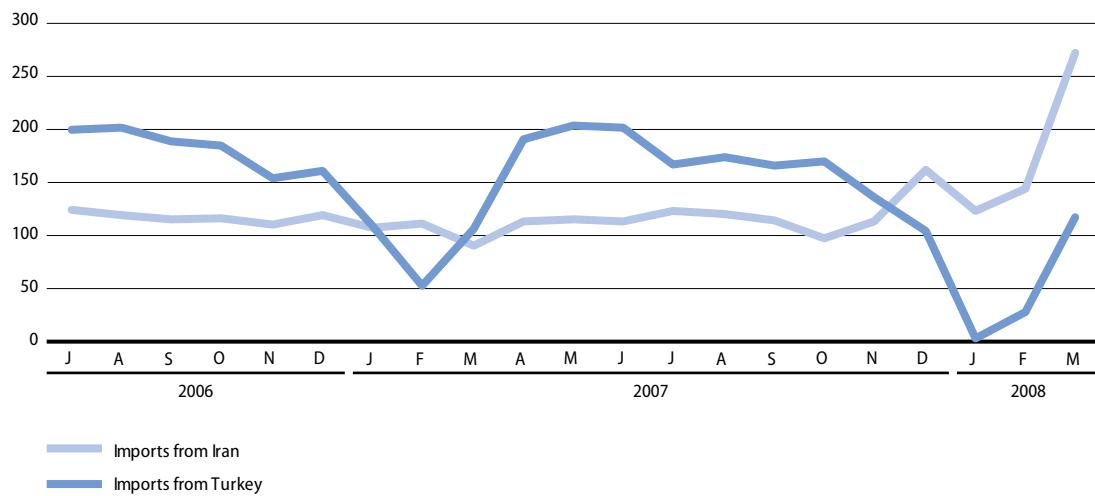
Note: Numbers are affected by rounding.

IMPORTS

Iraq imports electricity from neighboring Iran and Turkey to help meet demand. Imports averaged nearly 6% of total production this quarter, virtually unchanged from the same quarter last year. This quarter, the addition of a new transmission line allowed Iran to export additional electricity to Iraq. Together, these lines provide 265 MW of additional power for Iraq:[481]

- 160 MW through the line from Serbil Zehab (Iran) and Himreen (Iraq)
- 105 MW through the line from Abbadan (Iran) and Khor Zubair (Iraq)

Turkey halted its imports to the country in January 2008 because the GOI did not renew its contract with the country on time.[482] Imports resumed on February 15, 2008. For the history of electricity imports from Iran and Turkey since July 2006, see Figure 2.33.

IRAQI POWER GENERATION

Iraqis produce electricity via four different types of generators: hydroelectric, gas turbine, diesel, and thermal. ITAO's electricity data revealed that since August 2007, as hydroelectric production declined, gas-turbine production increased. A severe drought in 2007 led to the decrease in output from the hydroelectric plants. Gas-turbine output is up because of an increase in capacity and the U.S.-supported O&M program in this sector.[483]

One of the challenges in the electricity sector is Iraq's inability to supply the electrical generators with sufficient fuel (or water) for full

operation. Figure 2.34 shows the rising trend in electricity shortages due to the lack of available fuel (or water).

Although the lack of fuel is a challenge, at the moment the lack of water is a more serious problem.[484] The spike has been attributed to the recent drought and the absence of a structured diesel contract before December 2007.[485] The GOI has allocated $400 million for the purchase of generator fuel and authorized the Ministry of Electricity (MOE) to make direct purchases to address these shortages.[486]

SUPPLYING POWER

ITAO noted this quarter that the U.S. surge "has improved security and enhanced the ability

of Iraqi teams to repair downed transmission lines that are crucial to delivering electricity to consumers."[487] Improvements in security have allowed teams to repair three critical 400-kV lines that were out for much of 2007:[488]

- Baghdad South to Mussayib
- Baghdad South to Baghdad West
- Baiji to Baghdad West

The repair of additional lines will add stability to Iraq's electrical network.[489]

Blackouts

Notwithstanding increased production and limited improvement in repairing transmission lines, Iraqis are still experiencing interruptions in

Figure 2.34

ELECTRICITY PRODUCTION LOST TO FUEL AND WATER SHORTAGES
Megawatts (MW)
Source: ITAO, *IRMO Electric Daily Units Performance Report* (6/1/2006—3/27/2008)
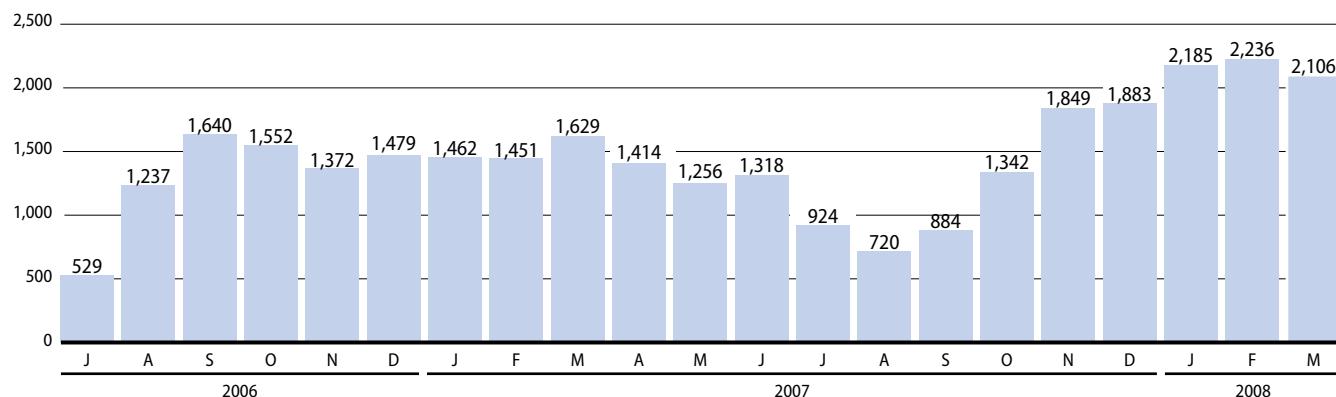
Note: Numbers are affected by rounding.

Power plants in Iraq continue to suffer from a lack of sufficient and appropriate fuels.

service, including severe blackouts in early January 2008. There has been an increase in blackouts in recent years, with approximately 27 in 2006, 46 in 2007, and 9 for the first three months of 2008. These are some of the causes of the blackouts: [89]

- instability of the country's grid
- terrorist interdictions
- poor frequency control
- lack of scheduled down time for load shedding

U.S.-funded transmission line-hardening projects are scheduled for completion by summer 2008, and there are currently no reported interdictions on those lines already protected.[490]

Sharing Power with Baghdad

These are the three main issues preventing the transfer of electricity to Baghdad:[491]

- **Lack of Fuel.** Because the fuels required for proper operation of facilities are not consistently available, many of the gas turbines are running on heavy fuel oil or crude oil, which has decreased plant efficiency and increased down time. Improper fuel use is also significantly more expensive, and more maintenance time is required.

- **Fragile Electrical Grid.** Demand has consistently far exceeded supply, putting an enormous strain on the grid. Also, because the 400-kV network remains vulnerable to single points of failure, blackouts occur more frequently, and restoring the grid is more complicated.

- **Difficult Security Environment.** Frequent interdiction of both the 400-kV and 132-kV network transmission towers and lines and harassment of workers—including threats, kidnapping, and murder—severely hamper the ability to sustain power from the grid.

Moreover, Iraqi provinces continue to be reluctant to share power from the grid to meet the levels set by the MOE. A snapshot of electricity allocation and usage in Baghdad, for the week ending March 22, 2008, revealed that only 92% of its authorized allocation had been consumed, while 14 other provinces exceeded 100% of the amount allocated by the MOE.[492]

The **Supervisory Control and Data Acquisition (SCADA) network** task order—under a cost-plus award-fee contract—aimed to better control power sharing by automating distribution

across the country. However, in July 2007, GRD reported that the U.S. support of the SCADA project was terminated because of budget over-runs. The MOE is now responsible for completing the installation. No additional funds (IRRF or ESF) have been used to support the completion of the SCADA system in Iraq.[493]

A key U.S. project under the SCADA task order was to install controls for the 132-kV network of 118 substations.[494] The $104 million IRRF-funded project was terminated to prevent over-expenditure. The MOE, for various reasons (including security and the fragile state of the network), did not grant scheduled overhead line outages for equipment installation. As a result, the project to control the 132-kV network of 118 substations was the last project left within the SCADA task order after all the other projects were completed. At termination of the contract, it was 91% installed and 51% commissioned. There is no date for completion because of the lack of the $7 million needed to complete the project.[495] At the time the contract was terminated by ITAO, GRD provided the MOE the scopes of work for the completion of the project as well as in-depth training to MOE personnel on the operation and maintenance of the SCADA system.[496]

Three other notable U.S. projects are continuing work to supply power to the Baghdad area:

- **Qudas Expansion**: Installation of two more gas turbines and auxiliary modules at the Qudas power plant continued this quarter. When completed, this project will add as much as 180 MW of generating capacity to the plant's current capacity of 492 MW. The $163 million contract was 70% complete as of the beginning of March 2008.[497] The completion date is set for June 2008.
- **Qudas and Baghdad South Sustainability:** This project is valued at nearly $22 million and will also improve power supply levels in the Baghdad ring by inspecting and improving various units and equipment at the plant. When completed on June 30, 2008, each unit will be able to sustain 90 MW.
- **Mussayib Power Plant:** This $33 million project includes the commissioning of eight 40-MW units and life support and security for the site. Upon completion on June 30, 2008, this project will result in approximately 5% more power nationally and 40% more in Baghdad.

IRAQI CAPITAL INVESTMENT IN ELECTRICITY

The GOI appropriated $1.4 billion to the MOE for its annual capital budget. Over the long term, and consistent with the MOE 2007 Master Plan, Iraq needs a $25 billion–$30 billion investment "to provide a robust grid that will fully serve all the people of Iraq with 24/7 power with adequate reserves and strong, resilient transmission, and distribution networks."[498]

U.S. EFFORTS IN THE ELECTRICITY SECTOR

To support GOI investments, the United States will be providing additional technical and administrative capabilities programs, but it will no longer be funding construction projects.[499]

Iraq's electrical infrastructure remains in need of significant upgrade and repair.

Ongoing U.S. projects in Baghdad and around the country continued to make progress. This quarter, the largest U.S. electricity project in the Missan province was connected to the national grid. With cooperation from the MOE, the **400-kV substation at Amara** was connected on March 1, 2008. This project was transferred to the GOI in December 2007 and is estimated to benefit 785,000 residents.[500]

SIGIR performed an audit this quarter on Perini Corporation's work to construct electrical transmission and distribution facilities in southern Iraq. The U.S. government paid almost $123 million on the contract and approximately $8 million in award fees. For details and outcomes of the work conducted by Perini, see Table 2.40.

Sustaining Electricity Projects

The long-term success of the U.S. reconstruction effort relies heavily on the ability of the MOE to execute an effective operations, maintenance, and sustainment program. These are the benefits of an effective program as new and rehabilitated generation plants come on line:[501]

- increased productivity
- reduction of machine degradation
- extended machine longevity

The United States is working with the MOE to conduct routine maintenance and implement a long-term maintenance program. ITAO noted positive results in the implementation of this program; the increase in electricity production, which is up 20% since last year, is attributable somewhat to "increased efficiencies captured by better O&M practices that have been fostered by this technical capacity development project."[502]

The development of a critical spare-parts program and an outage planning process within the MOE are also important to the sustainability of electricity projects. These activities were completed by the MOE:[503]

ELECTRICITY SECTOR WORK – PERINI CORPORATION TASK ORDERS

COMPLETED TASK ORDERS	OUTCOME	PROBLEMS
Basrah Distribution Network Description of Work: 8 Projects – 5 substations, a secondary substation, power factor correction capacitors, and the rehabilitation of the distribution network.	Completed 5 of 8 projects; the other 3 projects are removed from the task order before the start of construction.	High cost estimates, delays, and security concerns are cited
Babylon Distribution Network Description of Work: 12 projects – 5 substations, 5 distribution networks, overhead lines, and power-factor correction capacitors.	Completed 7 of 12 projects; the other 5 projects are removed from the task order prior to the start of construction.	High cost estimate is cited as a reason for removing one project from the contract, but no reasons are identified for removing the other four.
Anbar Distribution Network Description of Work: 15 projects – 11 projects deleted, 4 remaining projects stopped.	Perini is directed to complete engineering and procurement for 4 projects and deliver the equipment to a government warehouse. Eleven projects are removed from the task order prior to the start of construction.	High cost estimates are cited.
Thi-Qar Distribution Network Description of Work: 6 projects – 6 substations.	Completed 3 of 3 projects.	None cited.
Najaf Distribution Network Description of Work: 4 projects – renovation or construction of 4 substations and the installation of power factor correction capacitors.	Completed 3 of 4 projects. One project is removed from the task order prior to construction.	Concerns about management of construction milestone schedule.
TERMINATED TASK ORDERS		
Anbar Substation Rehabilitation Description of Work: 4 projects – 4 substations.	Terminated for convenience prior to construction.	High cost estimates, delays and security.
Rasheed Substation Rehabilitation Description of Work: 1 project – construction of the partially completed substation at Rasheed.	Terminated for convenience prior to construction.	Security.
Basrah Governorate Rehabilitation Description of Work: 10 projects – 10 substation rehabilitations.	Terminated for convenience prior to construction.	High cost estimates and delays.
Hartha Khor Substation Rehabilitation Description of Work: 1 project – provide construction support and labor to the MOE for the rehabilitation of a transmission line.	Terminated for convenience prior to construction.	Local Iraqis living at the site.
Umm Qasr Rehabilitation Description of Work: 1 project – substation rehabilitation.	Terminated for convenience prior to construction.	None cited.

Source: SIGIR Audit 08-011, "Outcome, Cost, and Oversight of Electricity-Sector Reconstruction Contract with Perini Corporation," April 29, 2008.

TABLE 2.40

- A program was approved to place five people in each power plant. They report to a head-quarters organization that is in charge of a spare-parts program.
- An extensive program was completed to improve the performance of existing thermal power plants, which is beginning to experience substantial capacity gains from an ongoing O&M program.

For more information about the ESF-funded O&M Sustainment program, see the *Economic Support Fund* section in this Report.

WATER

The condition of Iraq's water infrastructure remains poor.[504] Notwithstanding the recent progress of U.S. projects supporting Iraq's water sector, access to improved drinking water sources varies significantly among Iraq's provinces.[505]

U.S. WATER PROJECTS

IRRF-funded water projects completed as of March 31, 2008, have installed 2.25 million cubic meters per day in water treatment capacity, a 12.5% increase since last quarter.[506] The United States will have restored or added 2.4 million cubic meters per day of capacity once all IRRF projects are completed in this sector.[507] Figure 2.35 shows the most recent update for U.S. water output metrics.

Figure 2.35

STATUS OF U.S. WATER PROJECTS

Metric	Trends
OUTPUT OF U.S. POTABLE WATER PROJECTS (Million Cubic Meters per Day)	Goal 2.4 / 2.25 (2006–2008)
PEOPLE SERVED BY U.S. POTABLE WATER PROJECTS (Millions)	Goal 8.5 / 8.0 (2006–2008)
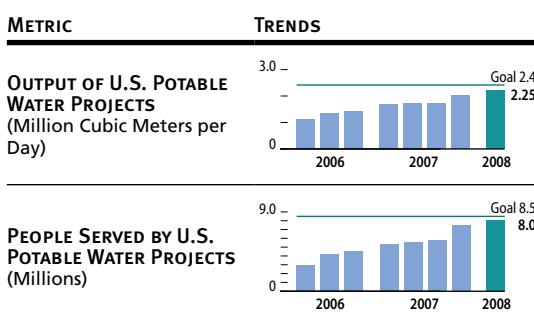
Source: ITAO, responses to SIGIR data call, April 3, 2008, and April 13, 2008.

Note: Last quarter, ITAO reported a goal of 8.38 million Iraqis served. The change in the goal to 8.5 million is due to revised ITAO estimates for individual projects and correction of previous errors in calculation. The data reported are theoretical values; they do not reflect actual production levels by the treatment plants or actual number of persons served.

Dibbis Pump Station.

The United States has obligated $2.60 billion and expended $2.29 billion in the water sector.[508] For some of the largest U.S.-funded projects in the water sector since 2003, see Table 2.41.

The **Sadr City R3 Water Treatment** project had an estimated completion date of February 23, 2008. As of March 31, 2008, this project was not yet completed. Work was suspended in January 2008, when the sand filter beds failed; they must be completely replaced.[509] The estimated completion date is now the end of September 2008, at a project cost of $65 million.[510] Once completed, the plant will have the capacity to produce 4,000 cubic meters per hour, which is sufficient to serve at least 192,000 people.[511]

Construction of the $17.9 million **Sinjar Water Supply** project was completed on March 29, 2008, and closeout is now in process.[512] Although the United States recommended staffing of one guard and one operator per site, the Ministry of Municipalities and Public Works has provided only 58 workers for all locations—one operator assigned to each site—as of March 2008. The project has the capacity to serve 483,500 Iraqis.[513]

This quarter, SIGIR inspected the **Nassriya Water Treatment Plant**, which is a part of the largest U.S. water supply project in Iraq. For more information on this inspection and other SIGIR products published this quarter, see Section 3. For an update on the ongoing U.S. water projects, see Table 2.42.

Sewerage

IRRF-funded sewerage projects completed to date have installed sewage treatment capacity of 1.2 million cubic meters per day. Projects have restored capacity to serve 5.1 million Iraqis. Once completed, the **Falluja Sewage Project** will provide the capacity to serve an additional 228,000.[514]

Irrigation

Work continued on the **Mosul Dam** this quarter. As SIGIR reported in its inspection report in October 2007, the Mosul Dam requires constant grouting because it was built on a foundation of soluble soils.[515] The United States continues to support the development of an enhanced grouting program to address this issue. The program provides new grouting equipment, procedures, and materials for the dam. This quarter, the Ministry of Water Resources completed the first phase of laboratory testing of new grout mixes, with a second phase of testing currently underway.[516]

Water resources remain a critical focus of reconstruction activity.

Top Five U.S. Projects in the Water Sector

Project	Location	Fund	Total Cost ($ millions)	Outcomes	% Complete
Nassriya Water Supply Project	Thi-Qar	IRRF	$276.73	Provides potable water to 550,000 people; completed 9/11/2007	100%
Erbil City-Ifraz Water Supply Project	Erbil	IRRF	$183.40	Provides potable water to 333,000 people; completed 7/20/2006	100%
Nassriya Drainage Pump Station (NDPS) Project	Thi-Qar	IRRF	$93.80	Will increase agricultural productivity, improve drainage water management, and improve Euphrates River water quality.	75%
Baladrooz Water Supply Project	Diyala	IRRF	$62.00	Provides potable water to 55,000 people.	90%
Basrah Sewerage Project	Basrah	IRRF	$53.10	Six new pumping stations were designed and constructed as part of the collection system rehabilitation and network expansion.	98%

Source: GRD, response to SIGIR data call, March 17, 2008; IRMS, *ITAO Rollup*, March 30, 2008.

Note: This table reflects data available at the time of publication, which includes data from multiple sources and reflects the best estimate of costs and results based on reporting provided to SIGIR.

Table 2.41

Status of Ongoing U.S. Water Projects

Project Title	Total Cost ($ millions)	Forecast Completion Date	% Complete at 3/31/2008
Baladrooz Water Supply Project: Phase 2	$61.2	12/7/2007	90%
Falluja Sewerage: Collection System	$4.5	1/3/2008	50%
Falluja Sewerage: Trunk Mains	$3.3	12/15/2007	2%
Falluja Sewerage: Wastewater Laydown Yard Phase II	$0.7	11/15/2007	80%

Source: ITAO, response to SIGIR data call, April 3, 2008.

Table 2.42

Iraq's agriculture sector is the second-largest contributor to the country's GDP and the largest employer of the Iraqi labor force.

The **Nassriya Drainage Pump Station** is a large U.S. project aimed at strengthening Iraq's irrigation and drainage capabilities. Nearly $100 million of the IRRF has been used to support this project. The United States also provided at least 150 backup generators, valued at approximately $25 million, for irrigation and drainage pump stations throughout Iraq. These are the anticipated benefits of the project once it becomes operational:[517]

- The pump station will have the capacity to pump more than 17 million cubic meters per day of irrigation drainage water collected from the Mesopotamian plain.
- It will improve the agricultural drainage in central Iraq, enhancing agricultural productivity and minimizing long-term salinization of irrigated lands.

AGRICULTURE

Iraq's agriculture sector is the second largest contributor to the country's GDP and the largest employer of the Iraqi labor force. The sector accounts for 10% of Iraq's GDP and 25% of Iraq's labor force.[518]

The agriculture sector relies heavily on the availability of electricity and water. The provision of reliable electric power is a major consideration and constrains the development of many agribusinesses in Iraq. For example, poultry operations require constant power for raising chickens from the hatchery to the fourth week of life. Also, a reliable system that provides sufficient water during the cropping period for the vegetable value chain is a necessity to extend the production season. USAID reported that water availability is tied to availability of power because of the dependence on pumps driven by electrical or diesel motors.[519]
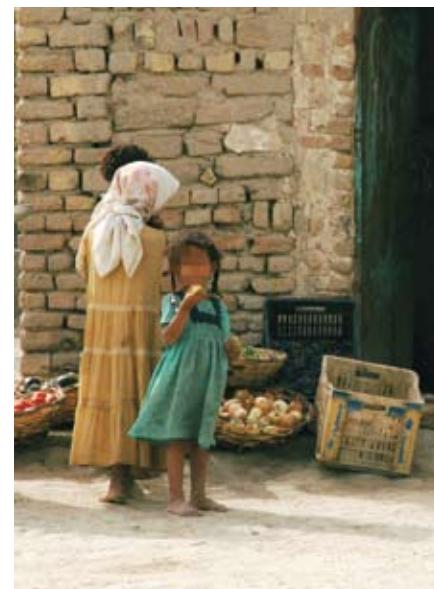
MODERNIZING IRAQ'S AGRICULTURE SECTOR

USAID's **Inma Agribusiness Program**, which has obligated $92.5 million thus far, targets improving and modernizing the agriculture sector in Iraq. These are the activities supported by the Inma program:[520]

- increasing crop diversity and livestock productivity
- delivering agricultural information systems to farmers and food processors
- delivering sustainable technical programs for soil reclamation and water resource management
- increasing the competitiveness of Iraqi agribusinesses
- increasing domestic and foreign partnerships

Inma supported a maize production project to bolster feed supply in Anbar province. Also, it assisted with wheat planting projects in the Anbar and Diyala provinces. Harvests are expected in May and June 2008. These projects are

Date palms.

designed to increase the supply of livestock feed in the two areas.[521] For more information on this program, see the *Economic Support Fund* section of this Report.

AGRICULTURE EXTENSION

Allocated $7.8 million from the IRRF and $2.4 million from the ESF, USDA's **Iraq Agricultural Extension Revitalization (IAER)** project aims to build the institutional capacity of the Ministry of Agriculture and Iraq's agricultural universities in five key areas: livestock production, field crop production and marketing, horticultural crop production, extension methodology, and irrigation and water resources management.[522] These are the activities of this program as of March 31, 2008:[523]

- 14 training seminars were conducted to train at least 350 Iraqi extension personnel and university faculty.
- 21 mini-grant projects were reviewed and approved for use by trainees as pilot projects in their communities, using the application of new extension methodologies.
- 20 laptop computers and associated software and training were provided for multimedia communication development for agricultural extension.

IAER plans to carry out at least 7 more training seminars by the end of September 2008.[524] As of March 31, 2008, nearly 65% of the program's funds had been obligated.[525]

PRT AGRICULTURE ADVISORS

Provincial Reconstruction Teams (PRTs) also focus on developing Iraq's agriculture sector. The U.S. Department of Agriculture has deployed 20 agricultural advisors to work on the PRTs and plans to deploy up to an additional 15 advisors in 2008.[526] The Agriculture Development team at the Wassit PRT worked with the local council in Al-Na'maniya to identify an irrigation chokepoint and planned canal repairs that will increase water capacity for 350-400 people. The team also worked with the provincial government to improve farmer education and access to new technology.[527]

DATE PRODUCTION

Prior to the onset of sanctions, Iraq exported a large portion of its date production—accounting for 30% of the world's date supply.[528] Suppliers from other countries emerged during the 1990s to replace the withdrawal of Iraqi dates from the world market, and Iraq has been struggling to re-enter the profitable market for dates.[529] More-

over, Iraq lacks the required regulatory system to provide the international export certifications needed to sell to Europe and the United States.[530]

The revitalization of Iraq's date industry has been the focus of several U.S.-led efforts. USAID supported the Ministry of Agriculture in re-establishing date palm nurseries. To support these efforts, USAID has a two-tiered strategy under development. These are the objectives of this strategy:[531]

- Expand domestic processing of dates into locally consumed date products.
- Organize private date growers to meet international standards to access more profitable markets.

MANUFACTURING

Security issues have limited the revitalization of Iraq's industrial sector since 2003. Since last year, the U.S. Task Force to Improve Business and Stability Operations (TFBSO) has accelerated factory restarts. TFBSO has restarted or materially increased production at 29 factories in Iraq, resulting in more than 10,000 sustained jobs.[532] As of July 2007, only 6 factories had restarted production operations,[533] and 17 factories had been restarted by the end of 2007.[534] As of February 29, 2008, the Task Force had launched 48 projects in 30 additional factories or production lines throughout the country with a $50 million appropriation through the Iraq Freedom Fund.[535]

TFBSO works closely with MNF-I, focusing on restarting idle Iraqi state-owned enterprises and other industry areas. For TFBSO project descriptions and updates, see Table 2.43. In January,

the Task Force supported the GOI in approving the first private investments in manufacturing facilities. Three state-owned cement factories finalized joint investment partnerships with international investor consortiums that will be shareholders with the GOI. Privatization of these factories is the long-term intention.[536]

TRANSPORTATION

Years of violence and instability have hindered Iraq's ability to rebuild its transportation infrastructure. Some of the largest U.S. efforts in this sector are listed in Table 2.44.

AVIATION

This quarter, the GOI purchased 40 aircraft from Boeing and 10 from Bombardier for a total of $5.9 billion.[537] This investment is meant to strengthen Iraqi civil aviation capacity and to enable Iraqi Airways to meet increasing demand for air transportation.[538]

U.S.-funded work continued at the **Basrah International Airport**. This $23.5 million project includes radar support, navigational aids, communications assistance, and water treatment. The estimated completion data is September 2008.[539]

This quarter, the PRT in Najaf and the Ministry of Transportation began coordinating the development of a master plan for the **Najaf International Airport**. The Ministry of Transportation announced that it will dedicate $20 million to support the project.[540] The master plan will provide a roadmap for development as well as the construction and operation of the regional international airport.

TF-BSO Initiatives

TF-BSO Element	Project Examples
Private Investment Facilitating rapid private direct investment opportunities from institutions, private equity, and corporations.	• An investment consortium has received license, lease rights, and land to build a 250-300-room luxury hotel in the International Zone. An international hotel chain has entered into a letter of intent to operate this new hotel upon its completion. • TF-BSO accountants and legal advisors are working in support of the newly established Iraqi investment commission and the Ministry of Finance to establish transparent processes for evaluating and awarding contracts for private investments in Iraq. TF-BSO is facilitating the submission and review of proposals for new office construction, hotel and retail developments, agribusiness projects, and new industrial operations.
Market Demand Establishment/ Industrial Privatization Recreating intra-Iraq demand among factories, facilitating regional and global supply agreements and joint ventures.	• The TF-BSO Procurement Assistance Team/accountants and legal advisors provided support to the Government of Iraq during the acquisition process of purchasing commercial jet aircraft from American and European airline manufacturers for Iraqi Airways. • TF-BSO personnel within the PMO facilitated the establishment of a relationship between the State Company for Mechanical Industries (SCMI), an established Middle East distributor, and Case New Holland (CNH). CNH will be providing unassembled kits to SCMI, which will assemble the tractors for distribution via the network. PMO personnel have worked with the Ministry of Agriculture to assist in focusing intra-Iraq demand toward this arrangement. Approximately 1,200 people have returned to work.
Industrial Capacity Restoration Restarting/restoring production to idled Iraqi industrial base.	• The State Company for Handmade Carpets in Baghdad has returned to production, employing more than 300 people, after receiving production equipment, repair parts and spares, and raw materials. • The SCMI in Babylon has been restarted and is assembling farm tractors, greenhouses, and irrigation equipment. Assistance included 200 tractor kits to be used for training and production, production equipment, repair parts and raw materials. Approximately 1,000 people have returned to work.
Contracts/Direct Economic Stimulus Policies, processes, and systems to support JCC-I/A in direct U.S. government contracts with private Iraqi business.	• The TF-BSO has worked with the Legislative Affairs functions within DoD and the Congress to formally codify the Iraqi First Program language into law. This objective was realized with the passage of Section 886 of the FY 2008 National Defense Authorization Act. As a result of this language, many contracting functions outside of Iraq that purchase supplies and services for use in Iraq or Afghanistan can now set aside those purchases for Iraqi or Afghan companies. The ability to limit competition to these firms will further enable economic development for these nations.
Banking and Financial Networks Increase incentive for the development of robust private sector financial services and associated infrastructure, through contract requirements.	• A private banking consortium has been established among 10 private financial institutions through 150 bank branches distributed across Iraq with electronic funds transfer capability and associated links to international financial networks. The private banking consortium has built an operating model for a core shared private financial infrastructure to efficiently process payment and financial-transfer transactions. About $175,000 has been contributed to the consortium from the Iraqi banks.
Communications Infrastructure Increase incentive for the development of necessary wireless and wire-line communications infrastructure capable of supporting economic activity.	• The TF-BSO Iraq Communications Team (ICT) has developed a Geospatial Information System (GIS) tool that will be leveraged by the GOI and MNF-I for country- and city-wide infrastructure planning and urban renewal and design. • Iraq Telecommunications Infrastructure Analysis and Recommendations Report: The ICT Team developed and delivered a 400-page analysis report, which reviewed current and potential future state ICT sector efforts in Iraq, focusing on the civil-military infrastructure and ICT basic services. This full-scope report is now used as the definitive reference for many communications planning elements and project managers supporting Operation Iraqi Freedom.

Source: MNF-I, response to SIGIR data call, April 12, 2008.

TABLE 2.43

Top Five U.S. Projects in the Transportation Sector

Project	Location	Fund	Total Cost ($ millions)	% Complete
Basrah Airport Radar, Navigational Aids, Communications and Water Treatment	Basrah	IRRF	$23.40	80%
Al-Diwaniyah – Al-Samawah 2d Carriageway (70.3km)	Qadissiya	IRRF	$16.61	42%
Baghdad-Kirkuk 2d Carriageway – Northern Segment (26.4 km)	Salah Al-Din	IRRF	$15.38	38%
Baghdad-Kirkuk 2d Carriageway – Southern Segment (60.5 km)	Salah Al-Din	IRRF	$13.96	28%
Mosul Airport – ATC Tower Rehab	Ninewa	IRRF	$12.10	100%

Source: IRMS, *ITAO Rollup*, March 28, 2008.

Note: This table reflects data available at the time of publication, which includes data from multiple sources and reflects the best estimate of costs and results based on reporting provided to SIGIR.

TABLE 2.44

BIAP Terminal Rehabilitation.

RAILWAYS

The Iraq Republic Railway (IRR) moved more than 800 trains from January 1, 2008, through March 15, 2008, representing the highest quarterly average since 2003 and a 12% increase over last quarter:[541]

- 43 locomotives were in service.
- 163 passenger trains ran between Baghdad and Basrah.
- 16,357 passengers traveled between Baghdad and Basrah.

In September 2007, the U.S. Embassy Department of Transportation Attaché reported that the IRR was impaired by security issues and workforce stability.[542] The IRR has made several improvements to security operations, opening these segments since fall 2007:[543]

- Hilla to Baghdad section of the main north/south route
- Baghdad to Baiji section of the main north/south route
- line west from Baiji to the end of the line at Akashat
- west loop from Baiji south to Ramadi/Falluja

Although the physical safety of employees continues to be threatened, between 1,000 and 1,500 IRR employees report to work regularly—an increase over last quarter.[544]

ROADS AND BRIDGES

Work on the **Baghdad-Kirkuk Highway Project** continued this quarter. The northern segment is 8% complete, and the southern segment is 23% complete. The estimated completion date for the project is December 31, 2008.[545]

SHIPPING AND PORTS

The **Roll On-Roll Off (RO-RO) Berth project** at the port of Umm Qasr was completed in September 2007.[546] The new RO-RO Berth is operational and receiving cargo and passengers. Currently, there are no available metrics to measure the impact of the berth on port operations.[547]

The **Nelcon Crane Refurbishment Project** had been temporarily stalled due to a lack of electrical power. The power situation has been resolved, and the contractor has been asked to remobilize to complete the project.[548]

Figure 2.36

INTERNET AND PHONE USAGE IN IRAQ
Millions of Subscribers
Source: ITAO, Response to SIGIR Data Call (4/3/2008)
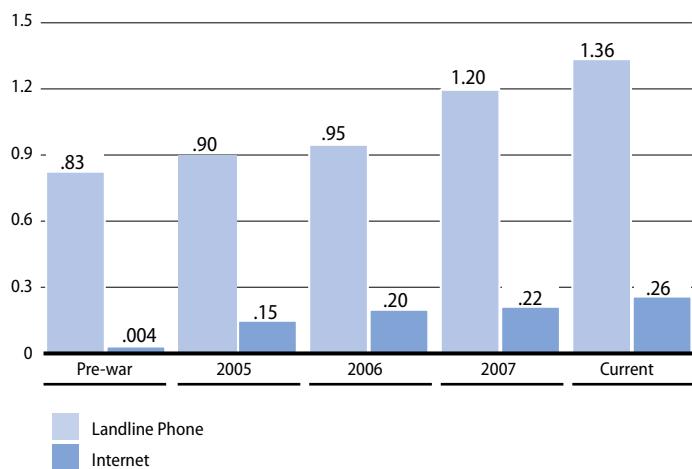
COMMUNICATIONS

The use of Iraq's communications infrastructure continues to increase.[549] Cell phone subscriptions in Iraq have increased by more than 50% since September 2007, when nearly 7.7 million Iraqis had service.[550] Figure 2.36 shows the increasing trend of landline and Internet usage since before the war. These are the current statistics for Iraq's communication system:

- More than 12 million cellular phone subscriptions are now active.[551]
- There are approximately 1.36 million landline users in Iraq as of April 4, 2008.[552]
- The State Company for Internet Services has approximately 200,000 Internet dial-up subscribers and a limited number of DSL subscribers.[553]

The **Iraqi Telecommunications System project** received an allocation of $47 million from the IRRF to construct a wireless broadband network and a switching facility at Al-Maimouna. The $22.7 million exchange and telecom center will have a seven-story main office building, post office building, parking garage, and public plaza upon completion in January 2009.[554] The main building will include the communication switch-gear operations for the greater Baghdad area. As of February 2008, the project was 40% complete.[555]

BANKING AND FINANCE

State-owned commercial banks account for 90% of total assets in the Iraqi banking sector. However, very little credit is extended to the private sector.[556] Compared with other banks in the region, Iraqi bank deposit bases and loan portfolios are small, and most lending institutions lack risk-assessment expertise. Thus, only a few banks offer loans with maturities of more than a year.[557] Several U.S.-led efforts are supporting the extension of finance alternatives to Iraqi businesses.

The **Iraqi Company for Bank Guarantees (ICBG)** is assisting in extending financial resources to small- and medium-sized enterprises. The ICBG was formed by 11 private Iraqi banks, with assistance from USAID and the U.S. Treasury. The ICBG currently oversees a portfolio of 25 loan guarantees; 12 of these have been disbursed by banks.[558] The ICBG recently established an operations branch in Erbil.[559]

IRAQ STOCK EXCHANGE

The Iraq Stock Exchange (ISX) opened to foreign investors in August 2007. Foreign investment on the ISX since August 2007 has included:[560]

- 82 non-Iraqi investors
- 1,079 transactions
- 9,942,979,346 traded shares
- $18 million in total value[561]

U.S.-funded efforts have continued implementation of the automation project for the Iraq Stock Exchange (ISX), designed to ease the administrative burden of the current physical certificate process.[562] The United States is supporting ongoing efforts to increase the capacity of the Iraq Securities Commission and the ISX in a variety of areas, including risk management, international standards, and automated processes.[563]

ELECTRONIC FUNDS TRANSFER

The electronic funds transfer (EFT) program, managed by the JCC-I/A, is another step in modernizing Iraq's financial sector. JCC-I/A has made electronic payment of its contractors a priority. The pilot program, which started in October 2007, has already realized a significant reduction of cash transactions. As of March 24, 2008, about 64% of total contract dollars were paid out via EFT. Of all payment transactions, 44% are made electronically.[564] This encompasses the $24.2 million in payments to Iraqi firms through March 24, 2008.[565] Figure 2.37 traces the rate of EFT adoption through this DoD program.

The U.S. Treasury noted these outcomes, resulting from the increased adoption of EFT through this program:[566]

- Higher volume of money flowing through the electronic payment systems has prompted Iraqi private banks to establish AMWAL (the non-banking financial institution that is undergoing licensing by the CBI as a payments system operator) for Electronic Banking Services.
- As increased numbers of Iraqi vendors receive their contract payments electronically, there is an increased demand in the Iraqi market for

Figure 2.37

ADOPTION RATE FOR THE ELECTRONIC FUNDS TRANSFER PROGRAM
Percentage of Payments to Iraqi Firms
Sources: U.S. Army Combined Arms Center Military Review, "Restoring Hope: Economic Revitalization in Iraq Moves Forward," March–April 2008
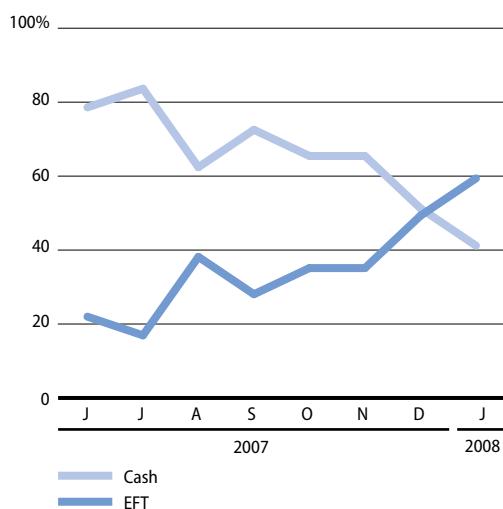
Note: Numbers are affected by rounding.

retail banking products and services.

- Iraqi vendors are also more likely to encourage their suppliers and employees to sign up with bank accounts so that they may pay them electronically as well.

LETTERS OF CREDIT

In a GOI-led initiative to modernize private banks, the Council of Ministers mandated this quarter that private Iraqi banks will now process letters of credit worth less than $2 million instead of the Trade Bank of Iraq. Moreover, the CBI can now process the letters of credit instead of the Ministry of Finance. NEA reported that these changes could result in an increase in transactions for private banks. However, letters of credit worth less than $2 million accounted for only 7.5% of the total annual value in 2007.[567]

HEALTH CARE

Many Iraqis still do not have access to basic health care.[568] At least 20,000 doctors (of the 34,000 registered in 1990) have fled the country, and it is estimated that more than 2,200 doctors and nurses have been killed since 2003.[569] Moreover, pre-existing medical infrastructure problems and an unpredictable security situation continue to impede progress.[570]

The facilities and infrastructure needs of Iraq's health care sector have been a focus of both Iraqi and U.S. reconstruction efforts. For details on five of the largest U.S. projects in this sector, see Table 2.45.

PRIMARY HEALTHCARE CENTERS

The **Primary Healthcare Center (PHC) program** has been a central part of U.S. reconstruction in this sector. GRD opened 31 PHCs from

TOP FIVE U.S. PROJECTS IN THE HEALTH CARE SECTOR

PROJECT	LOCATION	FUND	TOTAL COST ($ MILLIONS)	OUTCOMES	% COMPLETE
Basrah Children's Hospital	Basrah	Multiple Funding Sources	$163.60	Will be a state-of-the-art acute and referral care hospital with a focus on pediatric oncology	85%
Najaf Teaching Hospital	Najaf	IRRF	$14.26	Renovations throughout the hospital, including the industrial kitchen, laundry, and mechanical rooms	100%
Missan Surgical Hospital, Phase II	Missan	ESF	$14.08	Not available	5%
Al-Baladi Maternity and Pediatric Hospital	Baghdad	IRRF	$12.50	Not available	99%
Ba'quba General Hospital EHC	Diyala	ESF	$10.00	Not available	5%

Sources: IRMS, *ITAO Rollup*, March 28, 2008; GRD, responses to SIGIR data call, March 17, 2008, and April 5, 2008.

Note: This table reflects data available at the time of publication, which includes data from multiple sources and reflects the best estimate of costs and results based on reporting provided to SIGIR.

TABLE 2.45

Basrah Children's Hospital. March 2008.

View from hospital roof. March 2008.

Main entrance stone-cladding work. March 2008.

October 2007 to March 2008; 60 PHCs are now open to the public. Three task orders of the original contract for the PHC program contracted for the construction of 150 PHCs throughout Iraq; 8 were subsequently descoped.[571] The current target number to complete is 136 PHCs; this target was reduced from 142 PHCs after 5 facilities were bombed and 1 facility was found to be structurally deficient.[572] GRD reported that it is currently on track to complete the last remaining PHC in November 2008.[573] For an update on progress in completing these centers, see Table 2.46.

Sustaining PHCs

Providing staff to open the transferred PHCs to the public is the greatest challenge facing the Ministry of Health. GRD has received reporting that suggests that the Ministry of Health has not been successful at operating and maintaining the facilities properly.[574] However, ITAO and GRD are addressing the issue of PHC sustainment in coordination with the Ministry of Health. For example, through $1.3 million in ESF O&M Sustainment program funds, 40 PHC tool sets for repair of biomedical equipment have been procured and delivered.[575]

BASRAH CHILDREN'S HOSPITAL

Awarded construction work totaling $163.6 million for the Basrah Children's Hospital is 85% complete; medical equipment integration is 54% complete. The project originally had an estimated ceiling of $50 million. A SIGIR review of USAID's management of the project noted that the price increased from $149.5 million to $169.5 million because of a design change in the size of the facility, design flaws, contract delays, poor construction, and security issues.[576] Several sources of funding were used to meet the increased cost. Figure 2.38 shows the origins of funding for this project.

About 1,000 workers a day were on site until

STATUS OF THE PRIMARY HEALTHCARE CENTERS

STATUS OF PHCs	NUMBER OF PHCs (AS OF OCTOBER 2007)	NUMBER OF PHCs (AS OF MARCH 2008)
Completed and Open to Public	29	60
Completed, Not Accepted by Ministry of Health	14	12
Completed and Accepted by Ministry of Health	37	26
Work Stopped because of Security	0	5
Under Construction: 90-100% Completed	35	15
Under Construction: 75-90% Completed	14	9
Under Construction: Less than 75% Complete	7	4
Deprogrammed	4	6
Reprogrammed	2	5
Total Funded PHCs	**142**	**142**

Source: GRD, responses to SIGIR data call, October 10, 2007, and April 5, 2008.

TABLE 2.46

Figure 2.38

COSTS OF THE BASRAH CHILDREN'S HOSPITAL
$ Millions, % of $163.60 Million
Source: GRD, Response to SIGIR Data Call, (4/5/2008)

CERP
$0.40 (<1%)

IRRF
Re-Obligation
$3.60 (2%)

Project HOPE[a]
$30.00
18%

Original
USAID Project
$46.90
29%

Iraqi Ministry
of Health
$9.80
6%

UNDP $22.00
11%

8%

IRRF
$34.40
21%

USAID Child Survival and
Health Program Fund (CSH)
$13.40 (8%)

USAID IRRF-Transfer
$3.10 (2%)
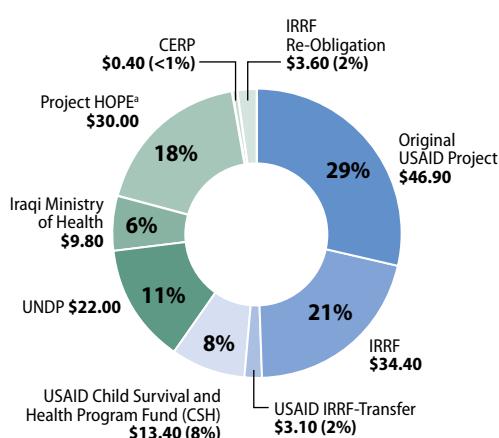
Note: Numbers are affected by rounding.
[a] Project HOPE is a non-profit organization supporting health-care initiatives globally. HOPE stands for Health Opportunities for People Everywhere.

March 24, 2008, when work halted due to escalating security issues in the province. The estimated construction contract completion date is July 21, 2008, and the completion of the medical equipment integration service is scheduled for November 14, 2008. The opening of the hospital is anticipated to be completed in phases starting in early 2009.[577]

EDUCATION

In the Compact, the GOI committed to accomplishing several goals for education:

- Improve adult literacy by 25% and school completion rates by 25%.
- Achieve gender parity at all levels of education.
- Increase the education budget from 3.5% to at least 5% of GDP.

Not including KRG schools, the Central Ministry of Education maintains that all schools (approximately 17,300 schools housed in approximately 14,200 school buildings) are open except for temporary shutdowns in areas that experienced security issues this quarter, such as Basrah and parts of Baghdad.[578]

U.S. SUPPORT IN EDUCATION

As of March 31, 2008, GRD had completed 1,029 school construction and rehabilitation projects using U.S. funding. This figure includes 811 projects funded by the IRRF, 206 CERP education projects, and 12 supported by the ESF. GRD also completed 42 schools using funding from the DFI.[579]

Although all IRRF funds allocated to this sector were expended by June 2006, current U.S. school construction projects are supported by CERP and ESF funds. Almost 140 CERP projects are classified as in progress in addition to 72 PRT/PRDC projects using ESF funding.[580] The damaged **Qudas High School for Boys** in Mansour re-opened this quarter after GRD completed a $568,000 project using PRT/PRDC program funding. The Iraqi-designed renovation was completed by an Iraqi contractor with oversight of an Iraqi USACE project engineer.[581]

The PRTs have emerged as one of the primary U.S. mechanisms to strengthen Iraq's educational sector. A recent example is the support of the Academic Coordinator in PRT Muthanna. The coordinator has set up an office at Thi-Qar University, and six neighboring schools have asked the coordinator to counsel their students on U.S. study.[582]

The **Education Management Information System**, a $2 million information management and capacity development project for the Ministry of Education, is now 70% complete. When completed, the project will provide real-time data to the Ministry executives on all aspects of Ministry activities, which include payroll, students, grades, and personnel.[583]

GOVERNANCE AND CAPACITY DEVELOPMENT

Progress in governance and developing the capacity of the Government of Iraq (GOI) at all levels remains a strategic priority for sustaining the U.S. investment in Iraq's reconstruction. Since January, four important steps were taken to advance those goals:

- The Regions Formation Law came into effect after an 18-month suspension.
- The Provincial Powers Law was passed, including an elections law requirement.
- The Prime Minister announced that 2008 will be a year focused on reconstruction and anti-corruption.
- The 2008 Iraqi budget passed, totaling $49.88 billion.[584]

IRAQI BUDGET

The GOI budget for 2008 represents a substantial increase from the $6 billion provided by Iraq for the last six months of 2003.[585] Because of a 52% increase in budget allocations, high inflation, and fairly stagnant disbursements between 2004 and 2006, actual expenditure rates fell from 98% to 66%.[586]

As SIGIR reported last quarter, the increased price of oil has exceeded GOI expectations for 2007, leaving Iraq with a budget windfall of approximately $10 billion for 2007.[587] Based on this, the GOI has announced plans to issue a $5 billion supplemental to the 2008 budget by the end of June 2008.[588]

IRAQI CAPITAL BUDGET FOR RECONSTRUCTION, CY 2003–2008

CALENDAR YEAR	CAPITAL BUDGET (IN DINARS)	CONVERSION RATE (DINAR/USD)[a]	IRAQI CAPITAL BUDGET ($ US)	DOCUMENT SOURCE
2003	Not provided in dinars	N/A	$609,500,000	"Republic of Iraq: Budget Revenues and Expenses 2003, July – December"
2004	5,114,323,000,000	1,500	$3,409,548,667	"Presidency of the Iraqi Interim National Assembly: The State General Budget for 2005"
2005	7,550,000,000,000	1,500	$5,033,333,333	"Presidency of the Iraqi Interim National Assembly: The State General Budget for 2005"
2006	9,272,000,000,000	1,500	$6,181,333,333	"GOI Budget" (as approved by TNA and written into law December 2005); U.S. Treasury, response to SIGIR data call, 1/4/2008
2007	12,679,254,000,000	1,260	$10,062,900,000	"Approved Iraqi Federal Budget for 2008"; U.S. Treasury, response to SIGIR data call, 4/3/2008
2008	15,671,227,000,000	1,200	$13,059,000,000	"Approved Iraqi Federal Budget for 2008"; U.S. Treasury, response to SIGIR data call, 4/3/2008
Total			**$38,355,615,333**	

[a] Source of conversion ratio: U.S. Treasury, responses to SIGIR data call, January 21, 2008 and April 3, 2008.

TABLE 2.47

Figure 2.39

TOP FIVE IRAQI MINISTRY BUDGETS FOR 2008
$ Millions
Source: U.S. Treasury, Response to SIGIR Data Call (4/3/2008)

Operational Budget
Capital Budget
Total Operational and Capital Budgets
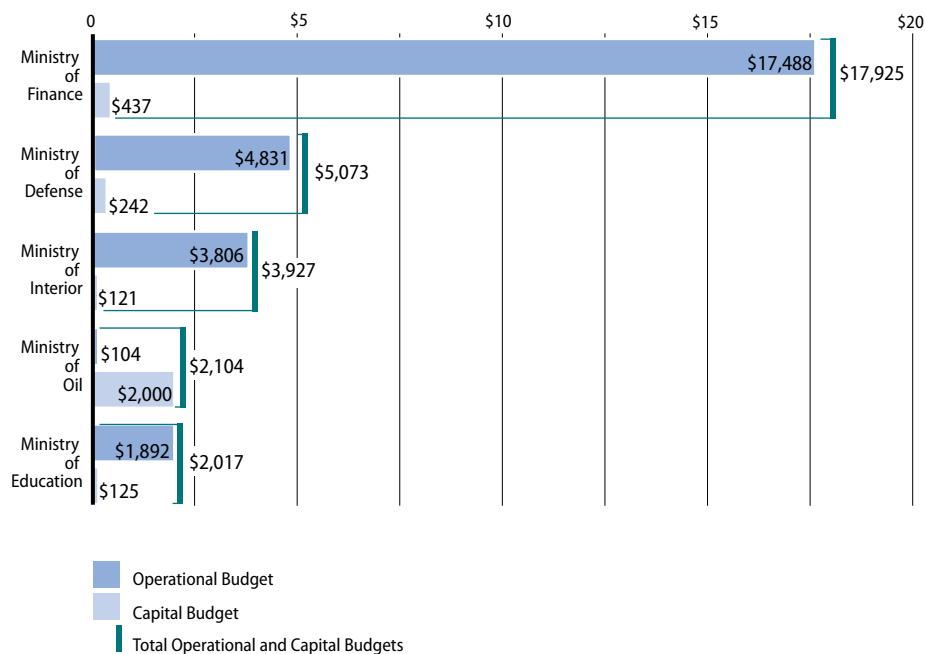
Note: Numbers are affected by rounding.

GOI BUDGET FOR 2008

In February 2008, the Presidency Council passed the final GOI 2008 budget, which includes more than $36.8 billion for operational expenses and more than $13 billion for capital expenditure. Overall, this represents a budget increase of $8.8 billion from last year, including a capital budget increase of $3 billion.[589] For an overview of capital budget increases over the last five years, see Table 2.47.

The Ministry of Finance (MOF) was allocated the greatest portion of the 2008 budget—$17.9 billion. At $5.48 billion, the allocation to the Kurdistan Regional Government (KRG) is the second-largest 2008 allocation. According to the U.S. Treasury, once the KRG's budgeted monies are released by the MOF, the funds are considered spent. More than $2.5 billion of the KRG's budget is for capital expenditure—46% of the region's budget.[590] For an overview of the five largest operating and capital budgets for 2008, see Figure 2.39.

MINISTERIAL BUDGET EXECUTION

In 2007, the GOI spent just more than 51% of its total capital budget for ministries—$4 billion of a $7.9 billion capital budget. Nearly 75% of 2007 operating funds were expended, including 100% of the budget for employee compensation. As of April 3, 2008, no ministerial budget execution data is available for 2008.[591]

Tracking and reporting on capital budget expenditures is one of the 18 benchmarks laid out by the U.S. Congress as a means of assessing progress in Iraq reconstruction. However, changes to GOI capital budget reporting have made tracking expenditures challenging. Consequently, the MOF has created a special report on capital to address progress toward full capital budget execution.[592]

Figure 2.40

2007 CAPITAL BUDGET EXECUTION IN THE PROVINCES ($ MILLIONS)

PROVINCE	TOTAL AVAILABLE	TOTAL AVAILABLE COMPARED TO TOTAL EXPENDED	PERCENTAGE OF EXPENDED VS TOTAL AVAILABLE
ANBAR	$107.1	Total Available $107.1 / Total Expended $4.0	3.7%
BABYLON	$127.0	Total Available $127.0 / Total Expended $61.9	48.8%
BAGHDAD	$559.5	Total Available $559.5 / Total Expended $174.4	31.2%
BASRAH	$195.2	Total Available $195.2 / Total Expended $40.8	20.9%
QADISSIYA	$64.3	Total Available $64.3 / Total Expended $24.7	38.5%
DIYALA	$109.5	Total Available $109.5 / Total Expended $0.0	0.0%
KERBALA	$71.4	Total Available $71.4 / Total Expended $29.4	41.1%
KIRKUK/ TAMEEM	$90.5	Total Available $90.5 / Total Expended $31.0	34.2%
MISSAN	$76.2	Total Available $76.2 / Total Expended $39.0	51.3%
MUTHANNA	$52.4	Total Available $52.4 / Total Expended $9.9	18.9%
NAJAF	$88.1	Total Available $88.1 / Total Expended $56.4	64.1%

Continued on next page

KURDISTAN REGIONAL GOVERNMENT

The Kurdistan region had the highest capital budget execution for 2007. The region spent nearly $1.49 billion of a $1.56 billion capital budget—95.3% of the capital budget for the year.[593] The KRG includes the provinces of Dahuk, Erbil, and Sulaymaniyah.

PROVINCIAL BUDGETS AND BUDGET EXECUTION

The 2008 GOI budget provides $3.38 billion for General Directorates in Iraqi Provinces—more than $50 million for operating expenses and over $3 billion for capital expenditures. The Provincial Council and each of the provinces will receive $88 million in operating expenses.[594]

For 2007, capital budget execution in the provinces totaled more than 31% ($650.1 million) against the amount available (nearly $2.1 billion). Najaf spent more of its budget than any other province—more than 64%. As of April 3, 2008, no provincial budget execution data was available for spending in 2008.[595] However, for a comparison of 2007 capital budget execution, by province, see Figure 2.40.

U.S. Treasury reports indicate that Diyala and Anbar provinces were least successful in budget execution during 2007. Of the nearly $110 million available for 2007, Diyala did not report spending any of its money. Only $4 million of the $107 million available to Anbar were reportedly spent—less than 4% of available funds.[596]

In comparison, CERP expenditures for these provinces are higher—Anbar has spent 81% ($226 million) of its $278 million in CERP ob-

2007 CAPITAL BUDGET EXECUTION IN THE PROVINCES ($ MILLIONS)

PROVINCE	TOTAL AVAILABLE	TOTAL AVAILABLE COMPARED TO TOTAL EXPENDED	PERCENTAGE OF EXPENDED VS TOTAL AVAILABLE
NINEWA	$226.2	Total Available $226.2 / Total Expended $58.5	25.9%
SALAH AL-DIN	$92.9	Total Available $92.9 / Total Expended $31.5	33.9%
THI-QAR	$138.1	Total Available $138.1 / Total Expended $54.8	39.7%
WASSIT	$83.3	Total Available $83.3 / Total Expended $33.7	40.5%
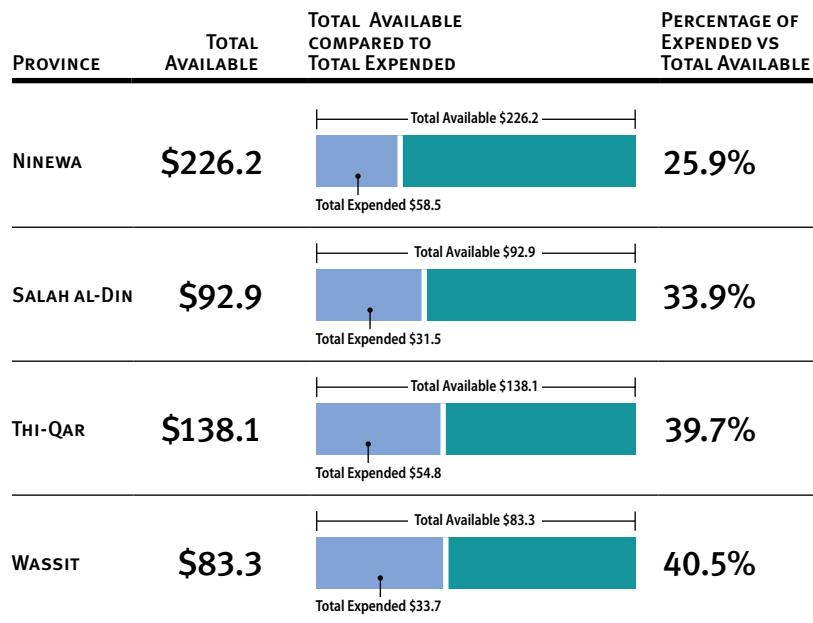
Source: U.S. Treasury, response to SIGIR data call, April 3, 2008.

Note: Remaining budgeted funds from 2006 are not considered as available funding for 2007. Not listed here are Dahuk, Erbil, and Sulaymaniyah, all provinces within the Kurdistan region.

ligations, and Diyala has spent 67% (almost $93 million) of its $137 million.[597]

DEMOCRACY AND RECONCILIATION

The Regions Formation Law became effective on April 11, 2008, after an 18-month suspension. The law has a long history of controversy within Iraq, much of which has yet to be resolved.

On February 13, 2008, the Council of Representatives (CoR) passed a three-law package, which included the Provincial Powers Law. As part of this legislative action, the Amnesty Law was passed, and the 2008 GOI budget was approved.[598]

REGIONS FORMATION LAW BECOMES EFFECTIVE

The Regions Formation Law was implemented on April 11, 2008. The law was passed by the CoR in October 2006, but was suspended for 18 months. Although the Regions Formation Law will allow for regional empowerment, the U.S. Embassy predicts that provincial councils will be limited in their ability to create new regions after the law is implemented.[599]

The law represents a step toward decentralizing the GOI, but the U.S. Embassy notes that there is little public support for the law's division of power. For now, the importance of the law remains largely theoretical.[600]

Background

In March 2004, the Transitional Administrative Law (TAL) provided the first legal authority for groups of provinces to form regions.[601] Recognizing the pre-war autonomy of the KRG, the TAL provided for other regions to emerge from similar groupings.[602]

The Constitution of Iraq, signed on October 15, 2005, also provided for the enactment of laws to establish regions as political subdivisions of the federal Republic of Iraq.[603] A law creating the "Operational Procedures for the Creation of Regions" was adopted by the CoR approximately a year later, but significant differences over how the law treated Iraq's various sectarian groups led to party blocks and boycott of the parliamentary decision.[604] Given the law's implications for the regionalization of sectarian and resource-driven interests, implementation was delayed until April 2008.

Enacting and implementing legislation on procedures to form semi-autonomous regions was one of the 18 benchmarks established by the Congress to measure reconciliation within Iraqi society, to improve the security of the Iraqi population, to provide essential services to the population, and to promote its economic wellbeing.[605]

PROVINCIAL POWERS LAW IS PASSED

The Provincial Powers Law, passed February 13, 2008, establishes the relationship between the central government and provinces not incorporated into regions (excluding the three provinces that make up the Kurdistan region).[606] However, the law will not come into effect until the require-ment for a national elections law is met.[607] The Presidency Council vetoed this legislation on February 26, 2008, signaling disapproval of the centralized policies it presented,[608] but the veto was rescinded on March 19, 2008.[609]

The purpose of the Provincial Powers Law is to delineate the balance of authority between the provinces and the central government. Under Article 2, provinces are authorized to enact their own legislation, but the central government may rescind any laws that contradict the Constitution or federal law. In addition, the CoR has the authority to remove provincial governors and disband provincial councils, and the Council of Ministers (CoM) can unseat other senior provincial officials.[610]

The law requires the passage of an elections law by May 15, 2008, but provincial elections are not expected to take place until October 2008. A draft elections law is currently being reviewed by the CoM,[611] and the Office of the Prime Minister is drafting a law related to provincial elections, which is expected to provide a legal structure for all Iraqi elections.[612]

Before elections can take place, each province must make administrative preparations, including having chief electoral officers in place. In January 2008, the U.S. Embassy reported that the CoR had nominated candidates for 12 of the 20 positions.[613] On March 30, 2008, the UN Assistance Mission for Iraq (UNAMI) finished its interview process to fill these eight seats. Of 800 total applicants, 15 of the most qualified for each Governorate Electoral Office (GEO) were selected and recommended to the CoR, which

will select five candidates from each province to send to the Independent High Electoral Commission (IHEC).[614] From these, the IHEC will select one director for each GEO. Although UNAMI has passed its recommendations to the CoR, the interviews for Ninewa will have to be conducted again because the security situation in Mosul limited the number of qualified candidates during the first round of interviews.[615]

UNAMI also reports that the IHEC in Baghdad is hiring 6,500 people to work at 550 voter registration centers. These centers, located throughout Iraq, are expected to be staffed and ready for elections by October 1, 2008.[616]

AMNESTY LAW

The Amnesty Law, passed along with the Provincial Powers Law, was written in response to protest over the disproportionate rate of Sunni imprisonment. Of total recorded incarcerations, 80% are reported to be Sunni, and UNAMI has reported that many have been arrested without adequate proof that a crime was committed. The GOI has stated that it supports limited amnesty to foster national reconciliation.[617] This Amnesty Law, implemented on March 2, 2008, will result in the release of 377 detainees from a prison in Babylon. Most of the released detainees were Sunnis who had been held without charges or adjudication for an extended period.[618]

HYDROCARBON LEGISLATION UNDER REVIEW

The Hydrocarbon Legislation Package is expected to include a Framework Law for the oil and gas sector, as well as three supporting laws.[619] The framework is expected to outline the regulations for oil production and exploration within Iraq. Supporting legislation for the Hydrocarbon Package is designed to accomplish three goals:[620]
- Outline revenue sharing.
- Restructure the Ministry of Oil.
- Create an Iraqi National Oil Company.

One of the primary controversies for hydrocarbon legislation is the future level of authority granted to the central government. Between 1985 and 2006, the central government held control of oil operations through the Ministry of Oil. However, the 2006 Constitution included a power-sharing arrangement with the Kurdistan region. The KRG has interpreted this arrangement as a proviso for regional oil control, and in 2007, it established a regional hydrocarbon framework law.[621]

Another point of contention for the legislation is the composition of the Federal Oil and Gas Council (FOGC), which is slated to review oil contracts before final approval by an Iraq National Oil Company, the Ministry of Oil, or a regional government. However, before the FOGC can be formed, Iraq must first create a National Oil Company.[622] Without hydrocarbon legislation, it is difficult for the GOI to move forward with contracts for foreign companies to develop Iraq's oil fields.[623] For more information on the oil sector, see *Iraq's Economy* in this Report.

One piece of the Hydrocarbon Package, the Revenue Management Law, is currently being reviewed by the CoM. The law is designed to set

a framework for sharing oil revenue among the provinces,[624] and according to DoS, this legislation is expected to see progress in the coming months.[625]

DE-BA'ATHIFICATION REFORM

Although it was hoped that the de-Ba'athification reform would move Iraq closer to national reconciliation, it appears instead that it has cemented a pre-de-Ba'athification system.[626] The U.S. Embassy reports that no reform to aid reconciliation has yet been implemented. There has been equally limited progress in resolving outstanding de-Ba'athification issues. Amendments addressing concerns about the reform have been drafted but have not been addressed by the GOI. The CoM has not submitted for CoR approval its recommendations for seven commissioner positions.[627]

ANTICORRUPTION

In 2006, the World Bank listed Iraq as a country lacking corruption controls. The World Bank's Control of Corruption indicator gauges the extent to which power is used for personal gain.[628] Signaling the GOI commitment to breaking the cycle of endemic corruption, the Iraqi Prime Minister has labeled 2008 the Year of Reconstruction and Anticorruption.

U.S. ANTICORRUPTION EFFORTS

This quarter, SIGIR auditors found that DoS and the U.S. Embassy have taken important steps toward implementing a revised anticorruption management plan, which was approved by the Secretary of State on January 9, 2008.

SIGIR first examined the U.S. anticorruption efforts in Iraq in July 2006. A report issued on July 28, 2006, identified a lack of coordination and leadership focused on anticorruption activities. SIGIR recommended at the time that DoS appoint a senior leader to direct the anticorruption program. In July 2007, SIGIR issued another report on anticorruption, expressing continued concern that the Embassy was not focusing on anticorruption efforts. SIGIR found that the Embassy did not appear to have a plan that would connect anticorruption issues to the overall plan for U.S. reconstruction efforts. A baseline to measure progress was also lacking. The Embassy is currently addressing concerns that SIGIR expressed in its January 2008 review of previous anticorruption efforts. SIGIR will continue to monitor Embassy implementation efforts.

GOI ANTICORRUPTION ORGANIZATIONS

This quarter, the Special Inspector General for Iraq Reconstruction met with the new head of the Commission on Integrity (CoI) to discuss anticorruption efforts within Iraq.[629] Created on January 31, 2004,[630] the CoI was previously known as the Commission on Public Integrity. The CoI works to investigate and prevent corruption within Iraqi ministries and to improve anticorruption efforts through education and public-awareness programs.[631]

The Inspector General also met with the President of the Board of Supreme Audit (BSA), a key oversight agency in the fight against corruption. During their meeting, the BSA President
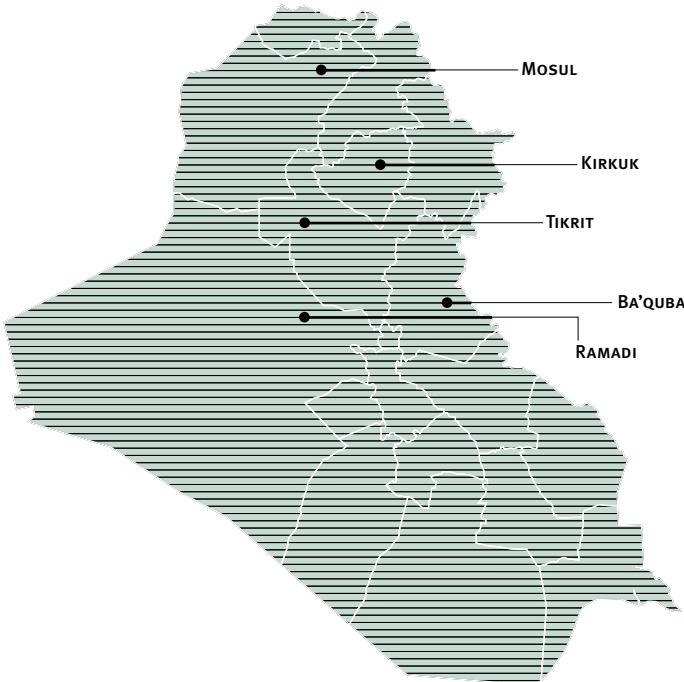
acknowledged the debilitating effects that corruption has had on a number of Iraqi ministries.[632]

Challenges Facing Anticorruption Efforts

The CoI, BSA, and other Iraqi anticorruption agencies face enormous challenges, including:[633]

- violence and intimidation of officials
- unstable rule-of-law systems
- capacity limitations of their agencies

CoI staff continue to be threatened with physical retaliation in the course of their work. As of March 11, 2008, at least 39 members of the CoI had been murdered. Additionally, investigators face political intimidation that requires them to reveal the nature of their casework to the ministries and officers who are under investigation.[634]

Limited resources and capacity shortfalls have limited the effectiveness of Iraqi anticorruption agencies. Ministries suffering from similar challenges are prone to fraud, waste, and abuse because there are no financial management systems.[635]

IRAQ'S JUDICIARY

According to the U.S. Embassy's Justice Attaché, rule-of-law efforts in Iraq must overcome significant challenges, including:[636]

- violence that targets judicial employees
- improper court rulings, tainted by the tribal, religious, political, and personal prejudices of judicial authorities
- public mistrust of the judicial process that stems from both the corrupt practices of today and atrocities committed by the former regime
- insufficient courthouse and detention space

Also, hierarchal immunity continues to impede progress in overcoming corruption entrenched within the ranks of the central government. As the Inspector General testified in March 2008, a law passed by the GOI in 2007 requires law-enforcement officers to obtain permission to investigate current and former Iraqi ministers.[637]

BUILDING JUDICIAL CAPACITY

The limited capacity of Iraqi judges and investigators has resulted in a large number of Iraqi detainees awaiting assignment of a judge to resolve their cases. As of April 1, 2008, there were 851 judges, 317 prosecutors, and 4,530 judicial employees working in Iraq. Violence against judicial officials continues to reduce the ranks. This quarter, two Iraqi judges and one employee were killed,[638] and according to the Higher Juridical Council (HJC),[639] only three new judges were hired this quarter to address the shortfalls.[640]

The limited capacity of the Central Criminal

STATUS OF ONGOING PROJECTS AT CAMP BUCCA

BUCCA PROJECT TITLE	PERCENT COMPLETE	ADDITIONAL DETAILS
Upgrade of All 13 Compounds	77%	Completion of construction is anticipated before the end of May 2008.
Modular Detainee Housing Units (MDHU)	42%	GRD reports plans to add guard towers to these facilities. Completion of construction is anticipated in April 2008.
Wastewater Treatment Plant	25%	Lagoons are 95% complete. Completion of construction is anticipated in October 2008.
Brick Factory	14%	Completion of construction is anticipated by June 2008.
Water Treatment Plant	9%	Well drilling is expected to begin in March 2008. Completion is anticipated in December 2008.

Sources: GRD, *Bi-Weekly Directorate SITREP*, February 19–March 3, 2008, pp. 9–10; DoD, "Moderate Detainees Help to Identify Extremists in Iraq," December 4, 2007, www.defenselink.mil; GRD, response to SIGIR data call, April 15, 2008; MNF-I, response to SIGIR data call, April 17, 2008.

TABLE 2.48

Court of Iraq (CCC-I), with two locations in Baghdad—Al-Karkh and Al-Rasafah—has been a bottleneck to many cases. To speed hearings, HJC has established 15 branches[641] of the CCC-I in five cities: Mosul, Kirkuk, Tikrit, Ba'quba, and Ramadi. These branches, called Major Crimes Courts (MCCs), conduct investigative hearings and terrorism-related trials.[642] Figure 2.41 shows the locations of MCCs in Iraq.

The Kirkuk MCC has tried 26 cases since its creation in October 2007. Before the creation of the MCC, court cases in Kirkuk were tried by three traveling CCC-I judges. The MCC has cleared a two-year backlog of cases and currently staffs three judges, a prosecutor, and a public defender.[643]

The UN, DoS, and the 3rd Infantry Division have collaborated to provide training for more than 250 Iraqi judges (almost 30% of all judges currently working in Iraq). Through this program, judges have computer access to 90 years of Iraq legal code.[644]

BUILDING DETENTION CENTER CAPACITY

As of March 2008, more than 23,000 people were being held in U.S.-run detention facilities in Iraq, including 19,300 detainees at Camp Bucca and 3,900 at Camp Cropper.[645] U.S. efforts are increasingly focused on the transition of detention facilities to the GOI, including:

- building capacity for Iraqi Correctional Officers (ICOs)
- constructing and developing detention centers
- developing detainee education programs

Iraqi Correctional Officers

According to MNF-I, building and sustaining ICO staffing has been challenging. ICOs are employed only one day out of every three and have a high absentee rate. MNF-I does not believe that ICOs have a sustainable work schedule. Reports indicate that the ICO program is not a viable long-term solution to detainee center employment issues.[646]

Detainee Center Construction

Camp Bucca, one of the largest detention centers run by the United States, currently holds approximately 19,300 detainees. Located in Basrah, Camp Bucca expended more than $222 million on construction projects in FY 2007, and over $122 million for FY 2008.[647] Construction of three compounds at Camp Bucca was completed

Status of Ongoing Projects for TIFRICs in Taji and Ramadi

Project Title	Percent Complete	Additional Details
Ramadi TIFRIC	24%	Phase 1 was to be completed in March 2008, but GRD reports that construction is currently behind schedule. Overall completion is expected by November 2008.
Ramadi TIFRIC Brick Factory	3%	Site preparation for the facility is now complete. Estimated overall completion date is June 2008.
Taji TIFRIC MDHU	17%	GRD reports that Phase 1 is on schedule to complete on April 30, 2008. Overall completion date is set for September 2008.
Taji TIFRIC Brick Factory	3%	Working camp construction, site surveying, site grading, and development of design packages are ongoing. Estimated overall completion is planned for July 2008.

Source: GRD, *Bi-Weekly Directorate SITREP*, February 19-March 3, 2008, pp. 10-11; MNF-I, response to SIGIR data call, April 17, 2008.

Table 2.49

this quarter. GRD reports that the Resident Engineer is working to complete closeout documents on the projects.[648] For the status of projects still in progress at Camp Bucca, see Table 2.48.

The Theater Internment Facility Reintegration Centers (TIFRICs) at Ramadi and Taji have ongoing U.S.-run projects as well. The TIFRIC in Ramadi (located in Anbar province) is expected to complete construction in November 2008. The Center will have a capacity of 8,280 detainees and is expected to cost $98 million. A second TIFRIC at Taji (located in Diyala province) is expected to complete construction in September 2008. The Taji Center will include a Modular Detainee Housing Unit (MDHU), which will be used to isolate detainees who are identified as extremists within detention facilities. With a total capacity of approximately 6,000 detainees, Taji is expected to cost $77 million.[649] For an update on construction at both TIFRIC facilities, see Table 2.49.

A new project, the Juvenile Internment Facility Reconciliation Center, is planned, but awaiting approval of the FY 2008 Global War on Terror Supplemental.[650]

Educational Programs for Detainees

When the new facilities are operational, more programs will become available for detainees, including educational opportunities. The TIFRICs at both Ramadi and Taji will offer educational programs along with counseling and clerical assistance. TF-134 reports that pilot programs have begun at Camp Bucca and Camp Cropper. These programs are expected to continue.[651]

MINISTERIAL CAPACITY DEVELOPMENT

As projects and responsibilities transition to the GOI, the importance of capacity development and sustainability has become a focus for several U.S.-run agencies.

The U.S. Agency for International Development (USAID) and the Iraq Transition Assistance Office (ITAO) are assisting with building and sustaining executive and ministerial capacity development. The Multi-National Security Transition Command-Iraq (MNSTC-I) has worked with the ministries of Interior and Defense to enhance ministerial capacity.

For SIGIR's most recent audit of the asset transfer process, see Section 3 of this Report.

TATWEER PROGRAM

USAID's National Capacity Development (NCD) program, which has obligated $209.5 million thus far,[652] is often known by the Arabic name for development, "Tatweer."[653] Since August 2006, the Tatweer program has assisted the GOI in building the capacity of public management and professional training capabilities.[654] The Tatweer program is scheduled to finish in July 2009.[655] According to USAID, Tatweer advisors are currently assisting both Iraqi ministries and GOI

institutions with capacity-development efforts. For a listing of ministries working with Tatweer as of April 14, 2008, see Table 2.50.

These ministries receive their assistance through Ministerial Engagement Teams (METs), previously known as Public Management Advisors.[656] USAID places these teams within ministries to provide day-to-day assistance at ministry sites.[657] As of April 14, 2008, Tatweer was staffed by 70 advisors, including more than 35 Arabic speakers.[658]

In addition to their work with ministries, METs are currently working to develop capacity within the offices of the Iraqi Prime Minister and Deputy Prime Ministers, the CoM Secretariat, and the Presidency Council.[659]

Although the Tatweer program has developed its own internal performance management plan, USAID notes that recent changes in ministerial engagement policies have not yet been taken into account. For this reason, USAID is working with local contractors to develop metrics that will more accurately measure progress within ministries. However, these metrics will only be used inside the Tatweer program and not to measure progress across the entire range of U.S. Embassy capacity-development work.[660]

In the first quarter of 2008, USAID reported that at least 4,200 Iraqi ministerial employees and provincial directors general participated in 180 training classes through Tatweer. These classes focused on contract and project management, fiscal management, and leadership and communication. In addition to training sessions for Iraqi staff, Tatweer also provides inspector

MINISTRIES RECEIVING TATWEER ASSISTANCE

Ministry of Oil
Ministry of Electricity
Ministry of Finance
Ministry of Planning and Development Coordination
Ministry of Municipalities and Public Works
Ministry of Water Resources
Ministry of Justice
Ministry of Health
Ministry of Agriculture
Ministry of Human Rights
Ministry of Displacement and Migration

Source: USAID, response to SIGIR data call, April 14, 2008.

TABLE 2.50

general training which focuses on auditing principles, service delivery, and anticorruption.[661]

The Tatweer program is sponsoring a new initiative this quarter—the Tatweer Energy Group, which will support the Ministries of Oil and Electricity in streamlining budget execution for both ministries. According to USAID, the plans for this program were written with the help of the U.S. Department of Energy, the U.S. Embassy Economic Section, ITAO, GRD, and staff from both ministries.[662]

REFUGEES, IDPs, AND HUMAN RIGHTS

An estimated 4.7 million Iraqis have been displaced from their homes[663]—2.7 million Iraqis are internally displaced persons (IDPs),[664] an increase of 300,000 since last quarter. More than 2 million Iraqis are refugees, living in other nations.[665] Iraqis were displaced at a lower rate in 2007 than in 2006; however, the International Organization for Migration (IOM) has reported that more than 1.5 million have been displaced since February 2006.[666]

The United States has increased its contributions to Iraqi refugee assistance from $43 million in 2006 to nearly $150 million in the first half of 2008.[667] On April 8, 2008, two U.S. senators released a report calling for the appointment of a senior U.S. official to oversee Iraqi refugee and IDP policy for the United States. According to the White House, last year, two senior officials were named to manage policy on the displaced in Iraq.[668]

AID TO REFUGEES

Many Iraqi refugees have settled in neighboring countries—1.5 million in Syria and more than 500,000 in Jordan.[669] Both countries have reported difficulty in sustaining programs to support the number of refugees currently living within their borders. For example, almost 44,000 Iraqi children were enrolled in Syrian schools as of December 2007.[670] Figure 2.42 shows the number of Iraqi refugees in neighboring countries.

On February 20, 2008, Lebanon announced that it would recognize thousands of Iraqi refugees within its borders. Previously, these refugees had been considered illegal immigrants, subject to detention. The UN High Commissioner for Refugees (UNHCR) reports that approximately 50,000 Iraqis are currently living in Lebanon and estimates that more than 77% entered the country illegally.[671]

An estimated 45,200 Iraqis sought asylum in the United States in 2007—nearly twice the number of 2006 applicants.[672] In FY 2007, 1,608 Iraqis were permanently resettled in the United States.[673] In February 2008, the United States admitted 444 refugees—up from 375 in January. According to the DoS Senior Coordinator for Iraqi Refugees, the United States is on track to admit 12,000 Iraqis by the end of FY 2008.[674]

AID FOR INTERNALLY DISPLACED PERSONS

IOM estimates that 1.2 million people were displaced prior to February 2006, and just more than 1.5 million have been displaced since, for a total of 2.7 million IDPs within Iraq.[675] UNHCR

Figure 2.42

MOVEMENT OF IRAQI REFUGEES

TURKEY

4,000
Iraqis in Turkey[b]

1,500,000
Iraqis in Syria[c]

SYRIA

LEBANON

Mediterranean Sea

50,000
Iraqis in Lebanon[a]

IRAQ[d]

99,000
Iraqis in Iran[b]

IRAN

JORDAN

500,000
Iraqis in Jordan[e]

KUWAIT

19,250
Iraqis in Egypt[b]

Persian Gulf

SAUDI ARABIA

EGYPT

QATAR

UNITED ARAB
EMIRATES
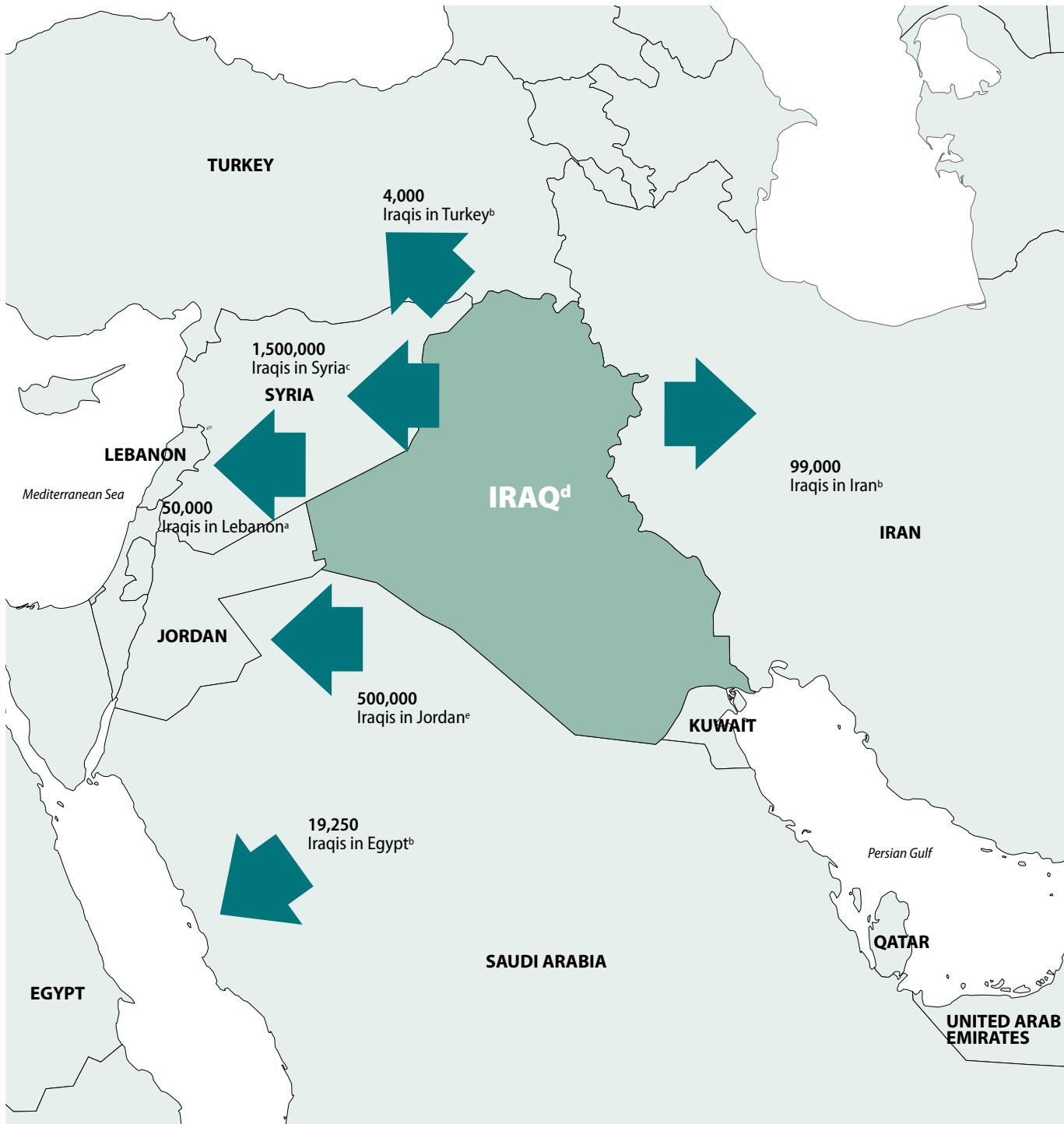
Note: Data changes may be indicative of Iraqi returnees, but are also compiled from several new sources. All numbers are estimates.
[a] UNHCR, "UNHCR Welcomes Lebanon's Recognition of Iraqi Refugees," February 20, 2008.
[b] UNHCR, "Global Appeal 2008-2009," December 1, 2007.
[c] UNHCR, "UNHCR-run Festival in Syria Highlights Arts and Culture of Iraq," April 3, 2008.
[d] OCHA, "Iraq: Population by Governorate," Iraq population estimate: 27,475,300 as of November 2007.
[e] UNHCR, "UNHCR Chief Discusses Refugee Crisis with Jordan's King Abdullah," February 12, 2008.

reports indicate that many of the 2.7 million displaced Iraqis are living without basic necessities. Reports indicate that more than a million IDPs are without adequate shelter or food, and one million lack a regular income.[676]

The two locations with the highest displacement are Baghdad (more than 60% of Iraqi IDPs) and Diyala (almost 20% of IDPs).[677] Worsening security in Kirkuk and Mosul may result in increased displacement in these areas.[678]

In March 2008, USAID's Office of Foreign Disaster Assistance obligated all of the $63.3 million in funds it received in 2007 to provide assistance for Iraqi IDPs. USAID reports that the programs funded by this money assisted more than 500,000 IDPs across all 18 provinces—nearly 42% of the nation's internally displaced.[679]

RETURNEES

According to UNHCR, few of the displaced Iraqis are returning to their homes. Between 2003 and 2005, more than 300,000 Iraqis had returned from Iran, Saudi Arabia, Lebanon, Jordan, and other nations. However, returnee numbers have since decreased, and many more Iraqis are leaving the country. UNHCR reports that those leaving the country include the professionals needed to aid the reconstruction effort within Iraq.[680] No minority groups (including Christians, Sabaean-Manaeans, and Yazidis) are reported among those returning.[681]

HUMAN RIGHTS

Almost $15 million of the $15.6 million in IRRF funds available for human rights was obligated as of December 2007. Most of these funds have been used to document and publicly release the stories of Iraqi victims of human rights violations. Examples of programs include:[682]

- Three months of radio programs presenting personal narratives of human rights violations: these shows were released in Kurdish and Arabic.
- 4,000 copies of "Testimonies," prepared and published: this book described human rights abuses of the former Iraqi regime.

On February 17, 2008, the Iraqi Minister of Human Rights announced that the ministry is planning to start a mass-grave excavation project. The excavation—one of eight planned in the Najaf province—was scheduled to begin on April 1, 2008.[683] According to the U.S. Army Corps of Engineers, the former regime in Iraq may have created more than 400 mass graves, many of them in rural locations. It is estimated that it will take more than 20 years to excavate all of them.[684]

SIGIR OVERSIGHT

SIGIR AUDITS
SIGIR INSPECTIONS
SIGIR INVESTIGATIONS
SIGIR HOTLINE
SIGIR WEBSITE
LEGISLATIVE UPDATE

SECTION 3

3

SIGIR AUDITS

From March 2004 through April 30, 2008, SIGIR has issued 115 audit products, with 7 new audit products added since February 1, 2008. Details on SIGIR audits are presented throughout this report.

This quarter, SIGIR audits addressed a diverse range of issues and programs, including:

- the fifth in a continuing series of focused contract audits dealing with outcomes, cost, and oversight associated with major reconstruction contracts in Iraq
- an attestation to the amount of Development Fund for Iraq (DFI) cash being held by the United States prior to its transfer to the Government of Iraq (GOI)
- progress made in addressing issues raised in three prior SIGIR reports regarding anticorruption efforts in Iraq, the transfer of completed reconstruction projects to the GOI, and contract administration for the Iraqi Police Training Program

- interim reports on contract terminations, and Iraqi security force information.

Table 3.1 lists these audit products.

SIGIR is currently working on 10 ongoing audits and will start a number of new audits next quarter. SIGIR performs audit work under generally accepted government auditing standards.

SIGIR's reports have produced scores of recommendations designed to improve the management of reconstruction and relief activities and take corrective actions as needed. The implementation of audit recommendations is crucial. SIGIR auditors regularly follow up on open recommendations, seeking to achieve their full implementation to the extent practical.

- For information on all SIGIR audit work completed as of April 30, 2008, see Appendix H, Table H-1.
- For the status of implementation of SIGIR recommendations from its audit reports, includ-

SIGIR Final Audit Products, since February 1, 2008

Report Number	Report Title	Date Issued
08-011	Outcome, Cost, and Oversight of Electricity-sector Reconstruction Contract with Perini Corporation	April 2008
08-012	Attestation to Development Fund for Iraq Cash in the Possession of the Joint Area Support Group-Central	March 2008
08-013	Interim Report on Iraq Reconstruction Contract Terminations	April 2008
08-014	Progress on Recommended Improvements to Contract Administration for the Iraqi Police Training Program	April 2008
08-015	Interim Analysis of Iraqi Security Force Information Provided by the Department of Defense Report, *Measuring Stability and Security in Iraq*	April 2008
08-016	U.S. Anticorruption Efforts in Iraq: Progress Made in Implementing Revised Management Plan	April 2008
08-017	Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made but Further Improvements Needed To Avoid Waste	April 2008

Table 3.1

ing recommendations that remain open, see Appendix H, Table H-2.

- For the full text of all final audit products, visit the SIGIR website: **www.sigir.mil**.

SIGIR's audit work is closely coordinated with other audit entities engaged in Iraq-related work; that coordination is reinforced by representatives of these entities who meet together quarterly under the umbrella of the Iraq Inspectors General Council (IIGC) to more formally coordinate their work. The IIGC's objective is to prevent duplication of effort and to share information and experiences gained from ongoing audit activity. On February 13, 2008, the IIGC met at SIGIR headquarters in Arlington, Virginia, with some members participating by phone from Baghdad and U.S. locations.

These organizations attended the meeting: SIGIR, Army Inspector General (Army IG), Department of Defense Office of Inspector General (DoD OIG), Department of State Office of Inspector General (DoS OIG), U.S. Agency for International Development Office of Inspector General (USAID OIG), Defense Contract Audit Agency (DCAA), U.S. Army Audit Agency (USAAA), Air Force Audit Agency, Naval Audit Service, and Government Accountability Office (GAO).

FINAL SIGIR AUDIT PRODUCTS FOR THIS QUARTER
Outcome, Cost, and Oversight of Electricity-sector Reconstruction Contract with Perini Corporation
(SIGIR-08-011, APRIL 2008)

Introduction

The December 2006 amendment to SIGIR's enabling legislation requires that, before its termination, SIGIR must prepare a final forensic audit report on funds made available to the Iraq Relief and Reconstruction Fund. This mandate was expanded in the 2008 National Defense Authorization Act, P.L. 110-181, to require preparation of a final forensic audit report "on all amounts appropriated or otherwise made available for the reconstruction of Iraq." To meet this requirement, SIGIR has undertaken a series of focused contract reviews examining major Iraq reconstruction contracts. The objective of these audits is to examine contract outcome, cost, and management oversight, emphasizing issues related to vulnerabilities to fraud, waste, and abuse.

This report, the fifth in the series of focused contract reviews, examines reconstruction work contracted by the U.S. government and performed by Perini Corporation. The report discusses work performed under a major design-build contract awarded in 2004 in the electricity sector.

In March 2004, at the request of the Coalition Provisional Authority (CPA), the U.S. Army Corps of Engineers (USACE) awarded contract W914NS-04-D-0011—an indefinite-delivery indefinite-quantity cost-plus award-fee contract—to Perini Corporation to provide design-build

services in the electricity sector. The objective was to construct electrical transmission and distribution facilities in southern Iraq, and the contract had a not-to-exceed amount of $500 million and a base period of two years plus three option years.

The objectives were to be accomplished by issuing task orders against the basic contract. The government subsequently issued 11 task orders—1 for contractor mobilization and 10 for the construction of electricity distribution networks and the rehabilitation or construction of substations. The task orders required Perini to submit a site-assessment report (generally 30 days after issuance of the task order) and a cost proposal for agreed-upon work (generally 15 days after submission of the site-assessment report).

Initially, the CPA's Program Management Office (PMO) had program-management responsibilities. In May 2004, the Project and Contracting Office (PCO) replaced the PMO. In November 2004, the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A) assumed management of all CPA contracts. The USACE Gulf Region Division (GRD) provided quality assurance (QA) services.

Under terms of the contract, the contractor submits periodic invoices to the government for payment. PCO procedures required that the contacting office review and approve the invoices and that a contracting officer representative certify the receipt of goods or services.

Limitation of Assessment

Incomplete contract documentation constrained the SIGIR assessment. The missing documents were important to a more complete evaluation of GRD's QA program. GRD officials made extra efforts to locate missing documents after the exit conference at the conclusion of SIGIR's fieldwork. Despite the remaining data limitations, SIGIR believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

Results

Of the 10 task orders under this contract, 5 were completed—but several were significantly descoped—and 5 were terminated for the convenience of the government. In general, PCO terminated the task orders because it believed that Perini's proposed costs were too high; its decision to terminate the task orders appears to have protected the government's interests. In all cases, the decision to reduce task order scope or terminate a task order was made after a site assessment was completed but prior to the start of construction. No projects that were started were left unfinished by Perini. Nevertheless, SIGIR identified a number of areas in which the government's management of the contract could have been improved with relation to QA responsibilities, award-fee decisions, and control of personnel turnover among key contracting officials.

Construction Outcome and Costs

The U.S. government paid almost $123 million to Perini on the contract, including $668,476 for Task Order 1 (mobilization). Approximately $8 million in award fees were authorized. One task-order was completed, and the others were either

reduced in scope or terminated for convenience. According to PCO officials, the quality of Perini's construction was very good, but the U.S. government often judged the company's cost proposals to be too high, largely because of its indirect costs, and the government elected not to continue the work with Perini. Also, for some projects that were started, the government was displeased with Perini's delays and extension requests. Security issues also affected several task orders.

Approximately one year into the contract, government officials decided to remove work from the Perini contract and complete it through firm-fixed-price contracts awarded to other international contracting companies. As discussed earlier, the task orders required Perini to conduct a site assessment and then submit a cost proposal for agreed-upon work. All descopings or project terminations occurred after the site assessments were completed but before construction started—generally because the government and Perini could not come to terms on cost. The results of these task orders are shown in Table 3.2.

SIGIR's review of contract documents generally identifies three primary reasons for reducing the scope of work on these task orders:

- Perini cost proposals that significantly exceeded budgets and available funding
- concerns about the company's management of project schedules
- security issues

Former PCO officials cited Perini's high indirect cost estimates as a major contributing factor to its high cost estimates. The high indirect costs also made it difficult for the government and Perini to come to an agreement and definitize the five partially completed task orders. In April 2005, Modification 5 to the contract was issued to require Perini to provide a detailed indirect-cost report, but the first report arrived in June 2005 after most task orders had already been descoped or terminated. (SIGIR has previously reported that delays in beginning construction work under the design-build contracts contributed to high indirect costs.[685]

There is little information in the contract file that addresses project delays. There are requests for excusable delays from Perini and correspondence from the contracting officer complaining about delays. However, there is little information about why the contracting officer considered Perini's requests unreasonable. The contractor's requests cite security issues, Iraqi religious observances, land ownership issues, and the inability to access some sites. Without more information, it is not possible for SIGIR to judge the reasonableness of these requests.

As a result of the high costs and delays, the government elected to reduce the scope of the work under a number of contract task orders and to try to achieve the same results through direct contracting. Former PCO officials stated that this decision delayed completion of the projects but allowed the program to stay within budget and complete more reconstruction. The option years on the Perini contract were not exercised.

Construction Task Order Outcomes

Completed Task Orders	Outcome	Problems
Task Order 2	Completed 5 of 8 projects; the other 3 projects are removed from the task order prior to the start of construction.	High cost estimates, delays, and security concerns are cited.
Task Order 3	Completed 7 of 12 projects; the other 5 projects are removed from the task order prior to the start of construction.	High cost estimate is cited as a reason for removing 1 project from the task order, but no reasons are identified for removing the other 4.
Task Order 6	Perini is directed to complete engineering and procurement for 4 projects and deliver the equipment to a government warehouse. Eleven projects are removed from the task order prior to the start of construction.	High cost estimates are cited.
Task Order 7	Completed 3 of 6 projects.	Concerns about construction milestone schedule.
Task Order 8	Completed 3 of 4 projects. One project is removed from the task order prior to construction.	Concerns about management of construction milestone schedule.

Terminated Task Orders		
Task Order 4	Terminated for convenience prior to construction.	High cost estimates, delays, and security.
Task Order 5	Terminated for convenience prior to construction.	Security.
Task Order 9	Terminated for convenience prior to construction.	High cost estimates and delays.
Task Order 10	Terminated for convenience prior to construction.	Local Iraqis living at the site.
Task Order 11	Terminated for convenience prior to construction.	High costs and delays.

Note: Task Order 1, not shown above, was a non-construction task order used for capturing mobilization costs to begin the construction work.

Source: SIGIR analysis of contract data.

Table 3.2

Contract Administration and Oversight

SIGIR identified various issues relating to oversight that had a negative impact on completion of the projects.

Available information indicates that GRD did not effectively execute its QA responsibilities. PCO contracted with GRD to provide QA services for a fee of 4% of the contract cost. PCO procedures require the submission of a QA report for every inspection at a work site. SIGIR requested copies of the QA reports from GRD and received reports on only four substations (39 reports on one, 36 reports on one, and 5 reports on each of 2 others). Although this may be a recordkeeping issue, it seems to support the contention of former PCO officials who were responsible for the contract that PCO received limited value for the funds paid to GRD for QA. According to PCO officials, they had to rely on their program-management contractor to supplement the QA effort.

Insufficient documentation was maintained

to adequately support the award-fee process and decisions. Further, the metrics for cost control under the award-fee plan were mostly for administrative compliance and did not include quantifiable metrics of sufficient weight to create incentive for Perini to control costs. SIGIR also found that the government did not use an effective award-fee conversion scale to create incentives for superior contractor performance. The government awarded more than 70% of the award-fee pool to Perini for the entire period of its work, although the company's performance scores were "average" or "above average."

There was high turnover of key contract-administration personnel. For example, based on a review of relevant documentation, SIGIR determined that at least 14 contracting officers were involved in the contract in the approximately two and a half years after its award. This averages out to a new contracting officer every 65 days. According to a former senior PCO official, the turnover rate hampered progress.

Although SIGIR initially had difficulty locating many documents related to quality assurance inspections and other supporting contract payments, GRD officials made extra efforts to locate many of these documents from multiple locations in Iraq, as well as the United States, as our fieldwork neared completion. Ultimately, SIGIR was able to obtain and reconcile documentation to support the 188 payments that the U.S. government made to Perini on the contract.

SIGIR's findings relating to oversight reflect processes that were in place at the time of contract award and execution, mostly between 2004 and 2006. A senior GRD official stated that the agency has recently hired local Iraqi nationals to enhance its QA efforts. In addition, a senior JCC-I/A official stated that the government has shifted its contracting strategy in Iraq away from cost-plus award-fee type contracts and now focuses on achieving results through firm-fixed-price contracts. The scope of the audit did not include an assessment of the impact of current processes.

Recommendation

JCC-I/A has assumed responsibility for contracts that originated with other contracting entities. This limits JCC-I/A's accountability for problems in contract file management that they inherited. However, SIGIR believes that it is incumbent upon JCC-I/A—the current contract manager—to ensure that contract files contain sufficient documentation to support the validity of contract payments made. Accordingly, SIGIR recommends that the Commander, JCC-I/A, direct that actions be taken to ensure that all contract files, including contracts transferred from other entities, contain documents to support key contract management and payment actions and that such files be retained in a central location to the extent practical.

Lessons Learned

SIGIR identified lessons learned that may be applicable to future contract-management strategies in environments like those characterizing Iraq reconstruction. When using large, indefinite-delivery indefinite-quantity cost-plus type contracts:

- Require the prime contractor to provide detailed project-level indirect cost reports under the contract to facilitate strategic decision-making.
- Ensure the provision of proper quality-assurance inspections, including sufficient numbers of trained personnel.
- Incorporate control of indirect costs as a quantifiable metric in the award-fee plan, and give the metric enough weight to motivate the contractor to scrutinize and control those costs.
- Explore alternative strategies for managing contracts to achieve stability in the contracting-officer workforce.

Management Comments and Audit Response

In the draft report, SIGIR identified a material management-control weakness resulting from a lack of documentation to support payments on the contract. SIGIR included a draft recommendation that GRD determine if the documents are on file or report the material weakness as prescribed by Army Regulation 11-2. GRD subsequently provided copies of Perini invoices and pay vouchers to support all payments on the contract. SIGIR also recognized that processes changed as a result of the transition of program management from PCO to GRD. Accordingly, in preparing the final report SIGIR deleted the draft recommendation related to the material weakness. However, SIGIR added a new recommendation to this report, addressing the need for JCC-I/A to establish accountability over the contract files that they inherited from other entities. GRD also provided technical comments that are addressed in the report where appropriate. GRD also commented that SIGIR had not made sufficient effort to obtain documents from the finance center in Millington, Tennessee. However, SIGIR contacted the finance center during the audit and was assured that the audit team had been provided all available documents. Senior GRD leaders were made aware of the missing documentation very early in the audit and were also unable to locate the missing documents until special efforts were made near the conclusion of SIGIR's field work.

GRD also commented that SIGIR had not requested copies of QA reports until the exit conference in February. However, SIGIR has emails showing that the audit team had made multiple requests for the reports, starting more than two months prior to the exit conference.

Attestation to Development Fund for Iraq Cash in the Possession of the Joint Area Support Group-Central
(SIGIR-08-012, MARCH 2008)

Introduction

In December 2007, SIGIR was asked to:
- attest to the amount of Development Fund for Iraq (DFI) cash that was controlled by the U.S. Army Joint Area Support Group-Central (JASG-C) Comptroller/DFI Account Manager (stored in the basement vault of the U.S. Embassy Annex in Baghdad)
- ensure that the cash on hand agreed with government accounting records
- attest to the transfer of the cash to the Government of Iraq (GOI)

However, at the time of SIGIR's review, the JASG-C had not finalized transfer procedures. Therefore, this report provided an attestation only to the amount of cash on hand relative to the accounting records and compliance with applicable procedures.

UN Security Council Resolution 1483, passed in 2003, assigned responsibility for managing the DFI to the Coalition Provisional Authority (CPA). Resolution 1483 noted that DFI funds should be disbursed at the direction of the CPA, in consultation with the Iraqi interim administration. In addition, the resolution required that the DFI funds be used in a transparent manner in Iraq for these purposes: to meet the humanitarian needs of the people; for economic reconstruction and repair of infrastructure; for continued disarmament; for the costs of civilian administration; and for other purposes benefiting the people of Iraq. The DFI was the primary financial vehicle to channel revenue from ongoing Iraqi oil sales, unencumbered Oil-for-Food deposits, and repatriated national assets to the relief and reconstruction efforts for Iraq.

CPA Regulation Number 2, "Development Fund for Iraq," issued in June 2003, described the responsibilities for the administration, use, accounting, and auditing of the DFI. The regulation was intended to ensure that the fund was managed in a transparent manner for and on behalf of the Iraqi people, consistent with Resolution 1483, and that all DFI disbursements would be used for purposes benefiting them.

During the CPA administration of Iraq, the CPA Comptroller managed the DFI funds. When the CPA was dissolved in June 2004, the CPA Comptroller was realigned as the JASG-C Comptroller and assumed responsibility for control of the DFI. The Iraqi Minister of Finance, through a number of memorandums, granted DFI administrative and delegation authority to the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A).[686] On December 31, 2007, JCC-I/A's stewardship of the DFI program ended.

Department of Defense Financial Management Regulation (FMR) Volume 5 governs all DoD disbursing policy by establishing and enforcing requirements, principles, standards, responsibilities, procedures, practices, and liability for disbursing officers, certifying officers, and other accountable officials throughout the department. Chapter 3 of Volume 5 governs cash operations, safeguarding funds and related documents, and advancing funds to agents.

Objectives

The objectives of this attestation were to conduct a physical count of DFI funds in the possession of JASG-C to determine:

- Did the cash on hand agree with JASG-C accounting records?
- Did the procedures used to store funds comply with applicable financial-management regulations?

Results

SIGIR conducted two cash counts on January 11, 2008, and February 26, 2008. Each count showed that the amount of cash in the vault matched the DFI entry in the JASG-C accounting records.

SIGIR made two counts because the expected transfer of the funds to the GOI did not occur. The review also showed that JASG-C complied with applicable regulations in maintaining accountability for the funds pending transfer. SIGIR's attestation to actual amounts is necessarily limited to the time when the attestation occurred.

SIGIR conducted the February 26 count of the cash stored in the embassy vault in accordance with the terms of a Memorandum of Agreement between SIGIR and JASG-C. The auditors identified the sum of $24,455,189.40 in U.S. currency in the vault. This amount agreed with official accounting records.

Interim Report on Iraq Reconstruction Contract Terminations
(SIGIR-08-013, APRIL 2008)

Introduction
Rebuilding Iraq is a U.S. national security and foreign policy priority: Iraq reconstruction is the largest U.S. assistance program since World War II. Approximately $46.3 billion has been appropriated for Iraq reconstruction activities since the beginning of Iraq reconstruction activities in 2003. As of January 2008, approximately $35.46 billion of this amount has been obligated, much of it under contractual arrangements.

SIGIR has often been asked about problems in the U.S. reconstruction program, including the extent to which contracts have been terminated because of poor contractor performance. Government contracts generally contain clauses allowing the U.S government to end a contract when the need for the supplies or services no longer exists, when the contractor's performance becomes unsatisfactory, or when some other situation develops that warrants closure.

To address this issue, SIGIR assessed the availability of aggregate information on such contract actions involving Iraq reconstruction. This interim report provides an overview of the termination for convenience and default processes and available information regarding contract terminations. A follow-on review will provide additional insights on factors and circumstances related to such decisions for selected contracts and the reasons for ending them.

Interim Results
Although information on contract terminations is incomplete, available data shows that approximately 855 Iraq reconstruction contracts—or task orders within individual contracts—have been terminated for the convenience of the U.S. government or because of default on the part of the contractor. This information comes from the Iraq Reconstruction Management System (IRMS), and, as of March 2008, contained 47,321 projects. IRMS was intended to be the repository and archive for storing all reconstruction and non-reconstruction project data from the various U.S. implementing agencies operating in Iraq. However, it does not provide a complete or consistent picture of reconstruction activities and contract changes because not all executing agencies use IRMS on a regular basis.

A limitation of IRMS is that it does not contain complete information on projects done by

the U.S. Agency for International Development (USAID) or DoS, projects completed before 2006, or projects funded by appropriations other than the Iraq Relief and Reconstruction Fund. Adding terminations from these sources would certainly raise the number of terminated projects. Nonetheless, contract termination data available from the IRMS provides the most complete data on contract terminations. Table 3.3 shows the number of terminations identified in IRMS, as of March 20, 2008.

It is important to note that contracts and task orders that incur problems are sometimes modified to change or reduce the scope of work to be performed—rather than terminated. This practice is referred to as descoping, and it is effectively a partial termination. When applied to contracts with problems, it has the effect of ending the contract or task order without the need to terminate for convenience or default. SIGIR's work has identified numerous instances in which contract modifications are used instead of a termination, but data is not available that shows the frequency of these actions. Descoping is an appropriate

process, but does mask problem projects and the extent they occur.

Nevertheless, given the level of interest in the issue of contract terminations, SIGIR plans to conduct a follow-on review, relying to some extent on a series of case studies to examine more closely the basis for those decisions, the percentage of work completed at the time of termination for each contract or task order, and the costs related to those actions. In the next report, SIGIR will also address whether any of the defaulted contractors were awarded follow-on contracts and whether the contracting officers considered the contractor's performance on prior contracts before awarding a new one.

This interim report contains no conclusions or recommendations.

Management Comments and Audit Response

SIGIR received comments on a draft of this interim report from GRD and ITAO. GRD said that the failure of IRMS to provide a complete picture of Iraq reconstruction derives from the fact that

Contract Terminations in the IRMS Database, as of March 20, 2008

	DoD						
	GRD[a]	JCC-I/A[b]	MNC-I[c]	AFCEE[d]	USAID[e]	DoS[f]	Total
Terminated for Convenience	145	402	128	68	0	0	743
Terminated for Default	87	14	11	0	0	0	112
Total Terminations	232	416	139	68	0	0	855

[a] the U.S. Army Corps of Engineers Gulf Region Division (GRD)
[b] the Joint Contracting Command-Iraq/Afghanistan (JCC-I/A)
[c] the Multi-National Corps-Iraq (MNC-I)
[d] the Air Force Center for Engineering and the Environment (AFCEE)
[e] the U.S. Agency for International Development (USAID), and
[f] the U.S. Department of State (DoS)

Source: IRMS database, March 20, 2008.

Table 3.3

not all of the executing agencies use IRMS on a regular basis. GRD also stated that the failure of these agencies to routinely input data impacts the system's ability to provide current and accurate information.

ITAO disagreed that IRMS was ever intended to be a repository and archive for storing reconstruction and non-reconstruction data from the various U.S. implementing agencies operating in Iraq. However, several ITAO documents identify this as the purpose for the system. Nonetheless, as stated in this report and GRD's official comments, not all agencies input data to IRMS on a regular basis.

Both GRD and ITAO also provided technical comments, which were incorporated into this report as appropriate. SIGIR also received technical comments from USAID, which are included in this report where appropriate.

Progress on Recommended Improvements to Contract Administration for the Iraqi Police Training Program
(SIGIR-08-014, APRIL 2008)

Introduction
This is a follow-up to SIGIR's October 2007 report.[687] It updates the status of (1) improvements undertaken by the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) to its management of the DynCorp contract for the Iraqi Police Training Program (IPTP), and (2) INL's implementation of SIGIR's recommendation in that report. This report also updates the status of recommendations made in the January 2007 joint report of SIGIR and DoS Office of Inspector General on Task Order 0338 of the Dyn-

Corp contract.[688] Moreover, this report continues SIGIR's oversight of INL's contract administration for the IPTP. The follow-up work for this report was conducted under Project 8015.

INL's mission is to develop policies and manage programs to combat international narcotics production and trafficking, combat international crime, and strengthen law enforcement and other rule-of-law institutional capabilities outside the United States. To that end, INL awarded contract S-LMAQM-04-C-0030 to DynCorp on February 18, 2004. The contract—for a base year and four one-year options—is now in its last option year.[689] According to INL, the contract for the IPTP will be extended only for the time necessary to recompete the contract in 2009.[690]

Although the contract includes tasks in support of INL programs for Iraq and Afghanistan, SIGIR's focus is on the contract tasks for Iraq. Among those tasks, DynCorp is required to provide housing, food, security, facilities, training support systems, and a cadre of law enforcement personnel with various specialties to support the Iraqi civilian police-training program. The current task order covering the IPTP expires on April 30, 2008, when a new task order will be awarded. According to INL officials, as of March 28, 2008, INL had obligated about $1.75 billion and had spent $1.42 billion in pursuit of the Iraq program.

SIGIR's October 2007 report stated that INL officials had previously uncovered serious weaknesses in INL's management of the contract and had undertaken a number of improvements, including:

- organizing contract files
- increasing the size of INL headquarters staff and contract-management personnel in Iraq
- improving project oversight and business processes, as well as oversight of property management
- collecting for excess or erroneous charges

Because of the magnitude of the problems confronting INL and the number of actions planned to address them, SIGIR recommended that INL (1) develop a coordinated, comprehensive corrective-action plan that is approved by the assistant secretary, (2) make a commitment to provide the resources necessary to implement the plan, and (3) establish a process to assess the plan's implementation and its impact on the bureau's oversight of the DynCorp contract.

The January 2007 joint report stated that poor contract administration by INL and the DoS Office of Acquisition Management resulted in property unaccounted for and millions of dollars put at unnecessary risk. Specifically, DoS had paid about $43.8 million to manufacture and temporarily store trailers for a residential camp that had never been used; the sum included $4.2 million for unauthorized work associated with the camp. In addition, DoS may have spent another $36.4 million for weapons and equipment, including armored vehicles, body armor, and communications equipment that could not be accounted for because invoices were vague and backup documentation and property-book list-

ings were lacking for the specific items. The joint report recommended a number of actions to help remedy the situation.

Results

INL has made a concerted effort to implement the recommendations in prior reports on the IPTP by SIGIR and the DoS Office of Inspector General. With regard to the recommendation in the October 2007 report, INL has developed a detailed project plan that includes initiatives to improve contract management. For example, the plan identifies the detailed tasks associated with property management in Iraq, efforts to recover contested charges under the contract, the reconciliation of invoices, and the various tasks to recompete and award the contract in late 2009.

With regard to the recommendations in SIGIR's January 2007 report, INL has several responsive actions underway. For example, it has arranged to make use of the trailers associated with the 1,040-person residential camp,[691] sought reimbursement for payments that may not have been properly authorized, and requested and received invoice audits.

While INL's actions are in various stages of completion, SIGIR believes that, taken together, they are improving the overall administration of the contract. SIGIR encourages INL to bring its efforts to a timely completion and plans to continue to monitor INL's progress. Because of the actions taken and underway, SIGIR provides no additional recommendations.

Management Comments and Audit Response

INL concurred with SIGIR's presentation of the facts and chose not to provide official comments.

Interim Analysis of Iraqi Security Force Information Provided by the Department of Defense Report, *Measuring Stability and Security in Iraq*
(SIGIR-08-015, APRIL 2008)

Introduction

Section 9010 of the Defense Appropriations Act of 2007, Public Law 109-289, requires the Secretary of Defense to submit a quarterly report to the Congress that presents a comprehensive set of performance indicators and measures of progress toward military and political stability in Iraq. One indicator being reported is information on the number of Iraqi Security Forces (ISF) authorized (required), assigned (on the payroll), and trained. SIGIR reviewed available information to assess:

- the reliability and usefulness of the number of forces authorized, assigned, and trained, as reflected in the March 2008 DoD Section 9010 Report, *Measuring Stability and Security in Iraq (*9010 Report)
- the methodology for gathering the information, including the extent to which DoD reviews and/or validates this information

To achieve the objectives, SIGIR reviewed and analyzed the DoD March 2008 9010 Report relating to the ISF and compared information in that report with earlier 9010 Reports. SIGIR also reviewed prior reports by SIGIR, GAO, the Independent Commission on the Security Forces of Iraq (Jones Report), and others. Also, SIGIR held discussions with officials in the Office of the Under Secretary of Defense (Policy).

The audit plan called for SIGIR to hold discussions and obtain information from officials of the Multi-National Force-Iraq (MNF-I), Multi-National Security Transition Command-Iraq (MNSTC-I), and the Multi-National Corps-Iraq (MNC-I). As a basis for these discussions, SIGIR provided written questions related to the objectives. SIGIR received a written response to the questions through the Office of the Under Secretary of Defense late in the review cycle and incorporated this information in this report, as appropriate. However, SIGIR plans to conduct additional follow-on work with U.S. officials in Iraq to obtain a more complete understanding of data- gathering and reporting methodologies, as well as efforts to strengthen related processes.

Results

The results of SIGIR's work to this point show that efforts have been made to improve the information on the numbers of Iraqi security forces authorized, assigned, and trained included in DoD's 9010 Reports. However, the details included in the reports and other available information suggest a continuing need for caution in relying on the accuracy and usefulness of the numbers. This is because:

- There are continuing uncertainties about the true number of assigned and trained Iraqi personnel who are present for duty at any one

time. A substantial number of personnel still on the payroll are not available for duty for various reasons, such as being on leave, absent without leave, injured, or killed.

- Evolving changes in reporting methodology makes it difficult to compare information from one report to earlier reports.

- The numbers of personnel reported as trained are not easily correlated with those assigned, the latter including persons not yet trained. Further, both assigned and trained numbers include persons no longer on duty, and the number of trained personnel, in and of itself, is widely recognized as an inadequate indicator of force capability.

- The shortage of officers and non-commissioned officers in the Iraqi security forces remains a significant long-term shortfall that could take a decade to address.

- There is a recognized need for additional Iraqi security forces by 2010 to field a counterinsurgency force capable of protecting the country against internal threats and insurgency.

- Iraqi forces still rely on substantial logistical support of Coalition forces.

- With a current focus on addressing internal security needs, the longer-term focus on the force structure needed to counter external threats has yet to be addressed.

Information on numbers of ISF personnel included in 9010 Reports are reportedly derived from multiple sources within individual Iraqi ministries based on processes that continue to evolve. This includes ongoing efforts to develop an automated data system to manage Iraqi military manpower accountability and pay. DoD made some efforts to determine and comment on the reliability of the data presented in the 9010 Reports; however, as the GOI assumes greater control over the forces trained and assigned, U.S. officials envision that they will have less visibility over data reliability. SIGIR's follow-on work will further assess efforts to improve data collection and reliability.

Management Comments and Audit Response

OSD provided informal comments on a draft of this report, and these comments were incorporated into this report, as appropriate.

MNSTC-I provided comments on a draft of this report, which generally concurred with the report's conclusions. MNSTC-I also provided specific comments on statements made in this report, which we incorporated as appropriate.

MNSTC-I commented that SIGIR's discussions on (1) shortages of officers and non-commissioned officers, (2) additional forces needed by 2010 for internal security, (3) police recruiting exceeding training capacity, and (4) deficiencies in logistics and combat support were beyond the scope of work. Although some information in this report goes beyond the specific objectives regarding the accuracy of the numbers, the information is relevant to the broader objectives because it provides important context for understanding the accuracy and usefulness of the information being reported.

U.S. Anticorruption Efforts in Iraq: Progress Made in Implementing Revised Management Plan

(SIGIR-08-016, APRIL 2008)

Introduction

This is the latest in a series of reports by SIGIR assessing U.S. government anticorruption efforts in Iraq. SIGIR instituted reviews of these programs in recognition of the significant detrimental effect of corruption on Iraq's economic, social, and political reconstruction. SIGIR has described the impact of corruption in Iraq as the "second insurgency."

Previous SIGIR reports concluded that U.S. efforts in this area lacked a comprehensive plan featuring metrics that tie programs to an overall strategy as well as baselines from which progress can be measured. Moreover, SIGIR found that these efforts have gone through periods of high activity and periods when they have languished. In a January 2008 report, SIGIR reported that the U.S. Embassy-Iraq had taken, or planned to take, steps to improve U.S. anticorruption activities as part of a new anticorruption management plan. If those measures were effectively implemented, SIGIR said, they would address all SIGIR recommendations. SIGIR's objective for this report was to review the progress of DoS and the U.S. Embassy in that regard.

Results

SIGIR found that DoS and the U.S. Embassy are taking steps to implement the revised anticorruption management plan approved by the Secretary of State on January 9, 2008. Although the action plan is in the early stages of implementation,

progress to this point is encouraging. Recent actions support the plan's goals to elevate the priority of anticorruption activities by reorganizing personnel and assets and improving oversight and coordination. Specifically, on March 11, 2008, DoS appointed a new Coordinator for Anticorruption Initiatives in Iraq, who will report directly to the Deputy Chief of Mission and will synchronize all U.S. anticorruption policy and programs. Moreover, the Embassy has reassigned staff to the office of the coordinator and is recruiting personnel experienced in anticorruption work.

The Embassy has also begun to move forward in other ways. It has drafted a preliminary Anticorruption Strategy Framework; set up seven Anticorruption Working Group (ACWG) subgroups with specific areas of responsibility, such as strategy and planning, assessments, public education, and program deconfliction and coordination; and completed an initial inventory of all U.S.-funded anticorruption programs. Moreover, to monitor and provide support for GOI efforts, the Embassy has decided to track the status of each anticorruption initiative that the government announced in a January 2008 anticorruption conference.

SIGIR notes, and is encouraged by, the progress the Embassy has made in just the three months since SIGIR's last anticorruption report. At this point, the Embassy is addressing the concern SIGIR raised in January 2008 that prior efforts to revitalize and coordinate U.S. anticorruption efforts have been largely ineffective and suffered from a lack of management follow-through. SIGIR continues to encourage

the Embassy's sustained commitment to managing effective anticorruption efforts, particularly in terms of day-to-day leadership and senior-official oversight. SIGIR will continue to provide quarterly status reports on the program.

Management Comments and Audit Response

SIGIR provided a draft copy of this report to DoS and U.S. Embassy-Iraq. Neither organization had comments on the draft report.

Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made but Further Improvements Needed To Avoid Waste

(SIGIR-08-017, APRIL 2008)

Introduction

This is the latest in a series of SIGIR reports on the transfer of U.S. government-funded reconstruction assets[692] to the GOI. As SIGIR reported in July 2007,[693] an effective capital project transfer process is essential for three principal reasons. First, it allows the GOI to recognize that a project is complete and that the United States has provided all necessary documentation and training. Second, it validates that the GOI accepts responsibility for project operation and maintenance (O&M) and capital replacement. Third, GOI acceptance and maintenance of projects is critical to ensure that the billions of dollars in U.S. reconstruction assistance is ultimately not wasted because capital assets are not adequately maintained and utilized.

SIGIR has previously identified problems in the asset transfer process, including:

- the lack of a uniform process among U.S. agencies for transferring completed projects to the GOI
- unilaterally transferring projects to individual ministries—such as for electricity—or transferring projects to provincial or local officials without assurances that ministry officials with budget authority were prepared to sustain the transferred asset

SIGIR recommendations included steps to improve the process and also to improve prospects that the GOI would adequately maintain the transferred assets.

The objective of this review was to determine U.S. progress on implementing one key SIGIR recommendation directed at improving the adequacy of U.S. policies, plans, and procedures for transferring U.S.-funded reconstruction projects to the GOI. Future reports will address other SIGIR recommendations on asset transfer, as well as GOI efforts to sustain transferred assets.

Results

U.S. agencies involved in reconstruction activities have taken steps to improve the asset transfer policies, plans, and processes, but further actions are needed to address longstanding problems that have hindered the program's effective implementation. DoS, DoD, and the U.S. Agency for International Development (USAID) have responsibilities for managing asset-transfer activities.

The principal organization charged with managing these efforts—the DoS Iraq Transition

Assistance Office (ITAO)—has established an Asset Recognition and Transfer Working Group (ARTWG). The ARTWG includes members of the other implementing agencies and has led efforts to develop a draft Interagency Agreement (IA) on a U.S. transfer process that would be used by all of the implementing agencies. This action addresses previous SIGIR concerns that all agencies were not a party to a 2006 agreement to use a common transfer policy. ITAO also drafted a Memorandum of Understanding (MOU) in November 2007 with the GOI on respective asset transfer roles and responsibilities. Nevertheless, planned procedural changes in the draft IA and the draft agreement with the GOI still do not fully address certain critical deficiencies in the transfer process.

These deficiencies, if not adequately addressed, will place the overall U.S. investment in many capital asset projects at risk of being ineffectively and inefficiently used or not used at all. Such an occurrence would greatly increase existing concerns over waste related to U.S. reconstruction activities in Iraq. SIGIR identified these specific areas that need to be addressed:

- The program currently lacks clear management accountability among the involved agencies—DoS, DoD, and USAID—for the transfer process. The program's overall management structure is fragmented, thus leading to inefficient and ineffective asset-transfer practices. For example, the draft IA includes only projects funded by the Iraq Relief and Reconstruction Fund (IRRF). As a result, projects with a total value of more than $2.2 billion—but funded

out of the USAID-managed Economic Support Fund (ESF), and the DoD-managed Iraq Security Forces Fund (ISFF) and Commander's Emergency Response Program (CERP)—are excluded. Further, the working group is an informal body that relies on member cooperation rather than clear lines of management authority and responsibility and implementing policies and practices. As such, there is no mechanism to ensure accountability.

- The draft IA between U.S. reconstruction agencies does not standardize the asset transfer process, but rather provides guidance for agencies to implement their own policies and procedures. This stove-piping of responsibilities creates a proliferation of different standards and procedures, which contributes to a lack of transparency for the transfer process and creates confusion for both the United States and the GOI. During the course of this audit, officials from USAID, GRD, and MNSTC-I told SIGIR that U.S. reconstruction agency officials may search for Iraqi officials willing to sign for and accept the projects at a myriad of levels, including ministries, provinces, and local communities. In response and as a last resort, U.S. officials in some cases have unilaterally transferred projects when efforts to obtain GOI formal acceptance of the project have failed. Although the draft IA provides guidance on the use of this measure, the volume of transfers may be well beyond what was envisioned. For example, in December 2007, MNSTC-I notified two ministries that it was unilaterally transferring 575 IRRF projects. MNSTC-I

subsequently revised this number to 388 IRRF projects, which were valued at more than $1 billion. Some of the projects had been "informally transferred" previously. Unilateral transfer by its inherent nature places investments at greater risk of not being properly maintained.

- U.S. efforts to obtain GOI signature to the MOU on asset transfer roles and responsibilities have come to a stalemate. The Deputy Prime Minister has not responded to the MOU delivered in November 2007. Furthermore, even if signed, the MOU may not yield significant improvements: it states that the document's requirements are not binding on either party. Moreover, the absence of a signed agreement with the GOI raises the concern that the GOI will not invest the resources—staff, training, and funding—necessary to realize the full benefit of the U.S. reconstruction investment. The GOI needs to become a more active partner in the process.

Conclusion

ITAO, DoD, and USAID have made efforts to improve plans, policies, and procedures for the transfer of assets to the GOI. However, the U.S. program continues to have serious weaknesses that ultimately could place much of the U.S. reconstruction investment at risk. The U.S. program suffers from the lack of a management structure that provides clear authority and accountability, as well as a transparent set of uniform transfer policies and procedures. These program weaknesses are further compounded by the lack of a timely response to a formal asset transfer agreement proposed by the U.S. government.

Recommendations

To address longstanding issues that have adversely affected—and will likely continue to affect—the implementation of the asset transfer program, and to reduce the risk that U.S.-funded capital assets in Iraq are not used or wasted, SIGIR recommends that the U.S. Ambassador and Commander, MNF-I, working jointly, direct that these actions be taken:

- Assess the current management structure for the asset-transfer process and develop a new structure that provides clear lines of authority, responsibility, and accountability.
- Direct that a single set of transparent, uniform policies, processes, and procedures on asset transfer be developed for use by all involved agencies and for all U.S. projects regardless of funding source.
- Establish specific criteria for using unilateral transfers as a "last resort" method of transferring low-risk assets. These criteria should make clear that unilateral transfers should be the exception rather than a common practice, and that investment costs and the complexity of sustainability should be considered.
- Immediately enter into high-level discussions with the GOI on the MOU for the transfer of assets completed by all U.S. reconstruction agencies from all funding sources.

Management Comments and Audit Response

SIGIR received written comments on a draft of this report from DoS and GRD. DoS agrees that a uniform asset-transfer process should be used but believes that the technical details of transferring assets should be left to the implementing agencies. DoS did not agree that the process should cover projects from all funding sources. GRD also disagreed that the use of different processes and procedures is hampering the U.S. government turnover of assets to the GOI. SIGIR continues to believe that a single uniform process is needed and will continue to examine this issue in follow-on work.

ONGOING AND PLANNED AUDITS

SIGIR conducts primarily performance audits that assess the economy, efficiency, effectiveness, and results of Iraq reconstruction programs—often with a focus on the adequacy of internal controls and the potential for fraud, waste, and abuse. This includes a series of focused contract audits[694] of major Iraq reconstruction contracts that will enable SIGIR to respond to congressional direction for a "forensic audit" of U.S. spending associated with Iraq reconstruction.

ONGOING AUDITS

SIGIR is currently working on these ongoing audits:

- SIGIR-7022: Review of Spending and Performance Under FluorAMEC Joint Venture Contracts—Electric & Public Works/Water Sectors (focused contract review)

- SIGIR-7023: Review of Spending and Performance under Research Triangle Institute (RTI) Contracts
- SIGIR-8001: Survey of Iraq Security Forces Fund (ISFF)
- SIGIR-8003: Review of Spending and Performance under Kellogg Brown & Root Services, Inc (KBR) Reconstruction Projects—Oil Sector (focused contract audit)
- SIGIR-8004: Review of 100 SIGIR Audits (Capping Report)
- SIGIR-8006: Review of Spending and Performance Under Parsons Reconstruction Projects—Security and Justice
- SIGIR-8016: Survey of U.S. Government Contracts Related to the Personal Security Functions in Iraq
- SIGIR-8017: Review of Department of Defense Contracts in Iraq with the Aegis Private Security Company
- SIGIR-8018: Review of Quick Response Fund (QRF) and Iraq Rapid Assistance Program (IRAP)
- SIGIR-8019: Joint Review with State Department IG of Blackwater Contract and Associated Task Orders for Worldwide Personal Protective Services (Replaces former SIGIR Project 7018)

PLANNED AUDITS

Recently, the Congress passed the National Defense Authorization Act for Fiscal Year 2008. The act expanded the scope of SIGIR's work and extended the tenure of this temporary organization beyond the previous end date of 2008. SIGIR

will remain in operation until 180 days after the date on which amounts appropriated or otherwise made available for the reconstruction of Iraq that are unexpended are less than $250 million.

The legislation extended SIGIR's audit authority to include all funds devoted to Iraq reconstruction, without regard to fiscal year and without being limited to specific appropriation accounts. This change also expanded the scope of a previous legislative mandate for SIGIR to complete a forensic audit report on all amounts appropriated or otherwise made available for Iraq reconstruction before SIGIR goes out of existence. Further, the legislation also gave SIGIR a lead role in developing a comprehensive audit plan for a series of audits of federal agency contracts, subcontracts, task orders, and delivery orders for the performance of security and reconstruction functions in Iraq, in consultation with other inspectors general.

SIGIR has recently developed a new strategic plan for calendar years 2008-2009, based on an overall assessment of its audit efforts to date, as well as recently enacted legislative requirements. SIGIR plans to complete its audit efforts within the context of three broad goals:

- Improve business practices and accountability in managing contracts and grants associated with Iraq reconstruction.
- Assess and strengthen the economy, efficiency, and effectiveness of programs and operations designed to facilitate Iraq reconstruction.
- Seek to continuously improve SIGIR products and services.

Goal 1: In preparation for fulfilling the requirement for a future forensic audit report, SIGIR has been completing a series of focused contract audits of large Iraq reconstruction contracts and will culminate this work with the requisite capping report to meet the requirement for a final forensic audit report. These audits have focused on overall contract administration and oversight, contract outcomes, and assessing vulnerabilities to fraud, waste, and abuse. SIGIR will expand future contract audit coverage to include contracts across additional reconstruction funding and appropriations, years of funding, programs, and include construction as well as non-construction contracts. SIGIR also will give expanded emphasis to audits of personal security contracts in line with the new legislative requirements.

Goal 2: At the five-year point in Iraq, and during this period of transition and transfer, questions are expected to be asked concerning the overall progress that has been made in accomplishing U.S. goals in key programmatic areas affecting the potential for stable Iraq self-governance, economic development, and security. Therefore, SIGIR will also devote resources to increase audit coverage of programs aimed at assisting in these three areas.

Goal 3: To increase SIGIR's capabilities to address the forensic audit and other expanded requirements, SIGIR expects to launch a pilot effort to form three two-person forensic audit cells, each comprising an auditor and an investigator, to enhance SIGIR's capacity to detect fraud and to develop the necessary evidentiary information to support civil or criminal prosecutions.

SIGIR is developing a more detailed tactical-level working plan focusing on individual audits to be completed under its strategic plan. For more details on SIGIR's new strategic audit plan, visit the SIGIR website: www.sigir.mil/audits.

INSPECTIONS

This quarter, SIGIR assessed and reported on seven projects. Four of the seven were construction assessments of relief and reconstruction work funded under the Commander's Emergency Response Program (CERP). SIGIR also assessed two projects, one construction and one sustainment, which were funded by the Iraq Relief and Reconstruction Fund (IRRF), and a project funded through the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL).

SIGIR's sustainment assessments focus on whether the projects delivered to the Iraqis were operating at the capacity planned in the original contract or task order objective. To accomplish this, SIGIR determined whether the projects were at planned capacity when accepted by the U.S. government, when transferred to Iraqi operators, and during the assessment visit. In addition, SIGIR determined whether sustainability was adequately planned for and whether sustainment activities are likely to continue.

These were the general objectives of SIGIR's construction assessments:

- Were the project components adequately designed before construction or installation?
- Did the construction or rehabilitation meet the standards of the design?
- Were the contractor's quality control (QC) and the U.S. government's quality assurance (QA) programs adequate?
- Were project sustainability and operational effectiveness adequately addressed?
- Were the project results consistent with the original objectives?

Since its inspections program began in summer 2005, SIGIR has completed 115 project assessment reports, 96 limited on-site inspections, and 481 aerial assessments.

As in previous quarters, security concerns in parts of the country have impeded Iraq reconstruction projects and SIGIR assessments, significantly limiting access to project sites. Because of insurgent activity in the Nassriya area, the on-site inspections of the Nassriya Water Treatment Plant were limited to only 30 minutes each. Along the same lines, both the private security contractor and the U.S. Army would not grant the Inspection team's requests for escorts to the Al-Ghazaliyah G-6 Sewage Lift Station project. Consequently, SIGIR was unable to perform an on-site assessment.

This quarter, SIGIR Inspections assessed, for the first time, an activity funded through INL. The Nassriya Prison Expansion Project was funded under INL for the construction of an additional medium security building to house 400 inmates, an accompanying visitation building, site work, utility connections, and all appropriate security structures complete with all furniture, fixtures, equipment, and buildings ready for sustained operation. The Nassriya Prison Expansion Project was approximately 17% complete when inspected, and the design and construction were consistent with the contract objectives. If the current quality of construction and effective project management continues, an inmate housing unit with a bed capacity for 400 inmates will be completed.

Table 3.4 lists the project assessments that SIGIR completed this quarter. For a complete list of project assessments from previous quarters, see Appendix I.

Figure 3.1 shows the approximate location of each project assessed this quarter, as well as in previous quarters.

SIGIR PROJECT ASSESSMENTS

This section provides summaries of SIGIR project assessment reports completed this quarter. For the full reports, see the SIGIR website, www.sigir.mil.

Nassriya Water Treatment Plant, Nassriya, Iraq
SIGIR PA-07-116

The objective of the delivery order was to design and construct a new water supply system consisting of a new water treatment plant capable of producing 240,000 cubic meters per day of potable water and approximately 110 kilometers of transmission piping for five cities within the Thi-Qar province. In addition, the task order required a period of operations and maintenance (O&M) by the contractor after successful performance testing and three training classes, both classroom and on-the-job training for Iraqis identified by the Ministry of Municipalities and Public Works (MMPW).

SEVEN PROJECTS ASSESSED THIS QUARTER ($ THOUSANDS)

PROJECT NAME	ASSESSMENT TYPE	GOVERNORATE	BUDGETED COST	EXECUTING AGENCY	FUNDING SOURCE	CONTRACTOR	GRD REGION
Nassriya Water Treatment Plant	Sustainment	Nassriya	$276,730	GRD	IRRF	FluorAMEC	South
Repair of the Al-Ghazaliyah G-6 Sewage Lift Station	Construction	Baghdad	$329	GRD	CERP	Local	Central
Kurdistan Ministry of Interior Complex	Construction	Erbil	$7,400	GRN	CERP	Tigris (Turkey)	North
Sarwaran Primary School	Construction	Erbil	$694	GRN	CERP	Local	North
Binaslawa Middle School	Construction	Erbil	$602	GRN	CERP	Local	North
Nassriya Prison Expansion	Construction	Nassriya	$6,263	GRS	INL	Local	South
Nassriya Prison Follow-up	Construction	Nassriya	$15,523	GRS	IRRF	Local	South

TABLE 3.4

Figure 3.1

PROJECT ASSESSMENTS

Approximate locations of the 115 projects where inspections were
conducted, analyzed, and reported to date.

● This Quarter
● Other Quarters
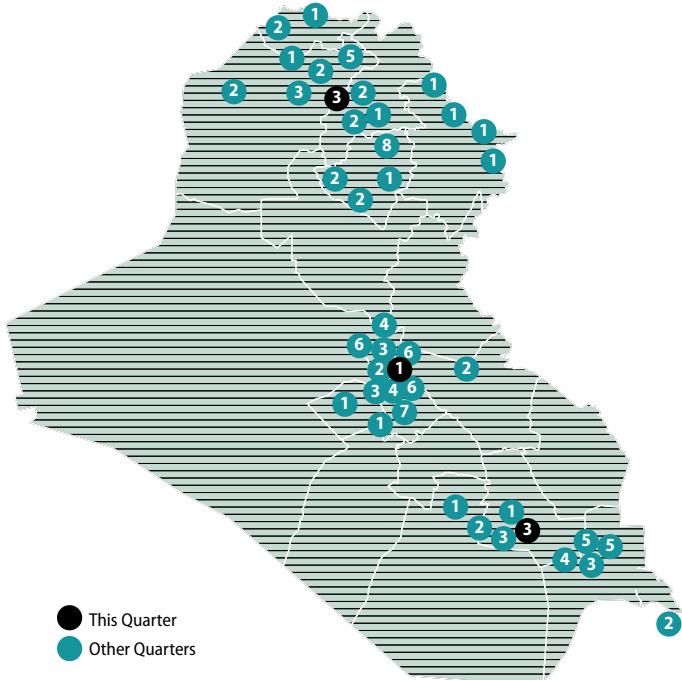
Costing approximately $277 million, the Nassriya Water Supply project, which includes the Nassriya Water Treatment Plant and associated facilities and conveyance (transmission) lines, is the largest water project funded by the U.S. government in Iraq and one of the largest reconstruction projects in general.

This project was originally conceived as a cost-sharing project with the Government of Iraq (GOI). The U.S. government would fund the water supply project and the GOI would fund the permanent power required to operate it; repair the leaks in the distribution system to allow potable water to flow from the conveyance lines to the end user; and provide a qualified and motivated staff to be trained by the contractor, FluorAMEC, to operate and maintain the facility after the project was turned over to the GOI.

To increase the quantity and quality of water available to the citizens living in five cities in the Thi-Qar governorate, the Nassriya Water Treatment Plant was designed to operate 24 hours per day, with a total capacity output of 240,000 cubic meters of potable water per day (10,000 cubic meters per hour). Construction began in August 2004, commissioning was completed in June 2007, and the project was officially turned over to the GOI on September 12, 2007. However, at the time of turnover, the GOI had failed to provide reliable power from the national grid, repair the leaks in the distribution system, and provide a qualified and motivated staff to be trained.

During commissioning, FluorAMEC was unable to test the total operating output of the facility because the GOI had not established reliable power from the national grid to the water treatment plant.

Project Assessment Objectives

The objective of this project assessment was to provide real-time relief and reconstruction project information to interested parties to enable appropriate action, when warranted. Specifically, SIGIR determined whether the completed project was operating at the capacity stated in the original contract or task order objective. To accomplish this, SIGIR determined whether the project was at full capability or capacity when accepted by the U.S. government, when transferred to the appropriate Iraqi ministry, and when observed during the site visits.

Sewage water pervades the Nassriya communities.

The disabled flow meter for the high-service pump-station meter vault.

Conclusions

SIGIR visited the Nassriya Water Treatment Plant twice—on December 6, 2007, and February 21, 2008. During both site visits, the plant was operating only one shift of eight hours a day and producing 2,000-2,300 cubic meters per hour of potable water. In addition, the amount of finished water was provided only to three of the five cities. The citizens of the cities of Al-Diwayah and Suq Al-Shoyokh did not have access to the finished water because of illegal taps into the transmission line and poor distribution systems. Consequently, at the time of the SIGIR site visits, the water treatment plant was producing only 20% of its designed output, operating only one eight-hour shift a day, and serving only 60% of the intended cities.

This was caused by a number of factors:

- There was a lack of reliable power from the national grid.
- The old distribution system was afflicted with leakages and was unable to withstand the higher pressures and flows.
- There were illegal taps in the water transmission line to Al-Diwayah.
- Unqualified and unmotivated MMPW staff were unwilling to consistently attend the contractor-provided training.

For almost four years, the GOI has not addressed these issues. Because the Iraqi ministries were unable to install reliable power from the national grid and provide an adequate number of qualified and motivated staff, the water treatment plant was operating at a rate of only 2,300 cubic meters an hour during the second on-site inspection on February 21, 2008. In addition, because of the refusal of the MMPW to address the issue of illegal taps and the decrepit state of the distribution system, potable water is not available for the cities of Al-Diwayah and Suq Al-Shoyokh. As a result of Iraqi delays, potable water is reaching only a fraction of the Iraqi people for which it was designed and intended.

ITAO and USACE are committed to making this project successful. To save the significant investment made by the U.S. government on behalf of and for the benefit of the Iraqi people, ITAO, USACE, and MMPW created a technical assessment team to determine the current condition of the water treatment plant, the adequacy of the MMPW staff, and potential solutions.

Signs of Improvement

Because of the efforts of the U.S. government—specifically the U.S. Ambassador, ITAO, and USACE—to influence the GOI, some improvements have been noticed since the SIGIR site

Example of leaks in the distribution lines throughout Iraq.

visits. For example, although an accurate measurement of finished water cannot be determined because of the disabling of the flow meters, it has been reported that the Nassriya Water Treatment Plant has increased finished water production from 2,300 cubic meters an hour to 6,000 cubic meters an hour. In addition, the governor and city council of Al-Diwayah recently decided to remove the illegal taps from the transmission lines, which will allow the water treatment plant to reopen the line and provide finished water to Al-Diwayah.

Although these actions are encouraging, the GOI still needs to find long-term solutions to the issues of reliable power from the national grid; leaking distribution lines; and qualified and motivated staff to operate and maintain the water treatment plant 24 hours per day, seven days per week. The U.S. Ambassador, ITAO, and USACE are dedicated to helping the GOI find and implement the necessary solutions.

Recommendations and Management Comments

To protect the U.S. government's investment of approximately $277 million, SIGIR recommended that the ITAO Director thoroughly review the report of the technical assessment team and the subsequent proposal, identify the most

effective way to increase operational output to design capacity, avert further deterioration of plant equipment, and expedite the implementation of the plan. ITAO and GRD reviewed a draft of the report and generally agreed with its conclusions and recommendations and both provided clarifying information for the final report. SIGIR reviewed the clarifying comments and revised the final report as appropriate.

Repair of the Al-Ghazaliyah G-6 Sewage Lift Station, Baghdad, Iraq
SIGIR PA-07-118.1

The objective of the contract was to restore two lift stations in the Al-Ghazaliyah area to designed operational capacity. On September 26, 2006, Delivery Order 0006 of Contract W917BG-06-D-0007 was issued to a local contractor for $328,775. The repair and rehabilitation work was to include replacement and maintenance of generators and pumps at each site, necessary electrical and control work, and limited architectural renovations. The two lift stations covered by this contract were the Al-Ghazaliyah G-6 and G-7 sewage lift stations. The Notice to Proceed was issued on November 7, 2006, with a period of performance to complete the project in 150 days. On November 10, 2007, the delivery order was terminated because a "Change in Security Condi-

tions" occurred at both sewage lift stations, which prohibited the contractor from completing the projects.

Project Assessment Objective

The objective of this project assessment was to provide real-time relief and reconstruction project information on the repair of the Al-Ghazaliyah G-6 sewage lift station in Baghdad, Iraq, to interested parties to enable appropriate action, when warranted. Specifically, SIGIR determined:

- Were the project components adequately designed before construction or installation?
- Is the construction or rehabilitation in compliance with the standards of the design?
- Is an adequate quality management program being used?
- Does the contract or task order address the sustainability of the project?
- Will the project results be consistent with its original objectives?

Previously, the U.S. Army was able to escort the SIGIR inspection team to the Al-Ghazaliyah G-7 sewage lift station.[695] But because of insurgent activity in the area of the Al-Ghazaliyah G-6 sewage lift station, both the U.S. Army and the private security contractor denied the assessment team's repeated requests for escorts to inspect the site. Consequently, this assessment relies solely on information obtained from the contract file and aerial imagery of the project site. The contract file included the contract, contract modifications, Bill of Quantity, quality control (QC) and QA reports, construction progress photographs, and invoices.

Conclusions

The assessment determined that:

- The contract file did not contain documentation of component design. The contract's Statement of Work required the contractor to prepare architectural, structural, mechanical, plumbing, and electrical designs; the Bill of Quantity required the contractor to inspect and report on the cover pumps, valves, lines, manholes, controls, generators, and distribution panels. The required design submittals from the contractor—such as schematic diagrams identifying the flow of sewer water entering and exiting the Al-Ghazaliyah G-6 and throughout the Al-Ghazaliyah area—were not included in the contract file. In addition, no diagrams providing clarity on the location and function of specific pieces of equipment were included.
- Because inspectors were unable to visit the Al-Ghazaliyah G-6 sewage lift station, SIGIR based the assessment of work quality on contract file documentation. The contract file documented that the U.S. Army Corps of Engineers (USACE) conducted an inspection in April 2007, which found significant examples of inferior quality work performed by the contractor. For example, one submersible pump was not connected to the generator or national power grid, the piping connection was not completed, the ampere meter for the generator was not working, and poor quality work was noted in the service building. USACE brought these deficiencies to the attention of the contractor.

Aerial imagery of the Al-Ghazaliyah G-6 Sewage Lift Station.

DigitalGlobe 2008 ©

- The contractor's QC plan was sufficiently detailed, including the use of daily QC reports to document construction deficiencies; however, the contractor's QC program implementation did not identify any significant construction deficiencies, such as potentially dangerous electrical installation practices. Further, there was no QC deficiency log for this project.

- The U.S. government QA program suffered from the deteriorated security situation in the area. According to USACE documentation, only 11 daily QA reports exist for this project; the last daily QA report was issued in December 2006.

- The contract and delivery order requirements addressed sustainability. The contract's "Warranty Management" clause required the contractor to provide a one-year overall warranty of construction; the delivery order required the contractor to provide all O&M manuals and all certified warranties. To maintain continuous use of the on-site generators, the delivery order provided that the sewage lift station be

furnished with a six-month fuel supply.

- The contract was terminated because the deteriorated security situation in the area prohibited the contractor from completing work. Consequently, the Al-Ghazaliyah G-6 sewage lift station renovation and construction project results were not consistent with the original objectives of the delivery order. The delivery order Statement of Work required the contractor to "provide a complete and useable facility upon the conclusion of construction…." When the contract was terminated, the Al-Ghazaliyah G-6 facility was not operational. Contract file documentation shows that the facility was not connected to the main distribution grid.

Assumption of Responsibility by the Government of Iraq

The Joint Reconstruction Operations Center (JROC) was created to coordinate and synchronize Baghdad reconstruction efforts. The JROC comprises representatives from Multi-National Force-Iraq, Multi-National Corps-Iraq, Multi-

National Division-Baghdad, the U.S. Department of State (DoS), the Provincial Reconstruction Team-Baghdad, the U.S. Agency for International Development, the Government of Iraq, and the USACE Gulf Region Division.

Each organization provides data to the JROC, which then "presents a unified voice" to the Joint Planning Commission. The Joint Planning Commission decides on service projects for targeted areas. Under this process, the Amanat (Baghdad city government) has assumed responsibility for a number of sewage projects in Baghdad, including the Al-Ghazaliyah G-6 sewage lift station.

Recommendations and Management Comments

In view of the current security situation in the Al-Ghazaliyah area and the assumption of responsibility for a number of sewage projects in Baghdad, including the Al-Ghazaliyah G-6 sewage lift station by the Amanat, this report does not contain recommendations for corrective action. Therefore, management comments are not required. GRD reviewed the report and had no additional comments.

Refurbishment of the Kurdistan Regional Government Ministry of Interior Complex, Erbil, Iraq
SIGIR PA-08-119

The objective of this CERP-funded project was to repair the Kurdistan Regional Government's (KRG) Ministry of Interior complex, which was severely damaged by a vehicle-based incendiary explosive device on May 7, 2007. The original

cost estimate for the project was $5.9 million. However, when the security building was later determined to be damaged beyond repair, the KRG provided an additional $1.5 million to cover the cost to demolish and reconstruct the building.

Project Assessment Objectives

The objective of this project assessment was to provide real-time relief and reconstruction project information to interested parties to enable appropriate action when warranted. SIGIR conducted this limited scope assessment in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency. The assessment team included an engineer/inspector and an auditor/inspector. Specifically, SIGIR answered these questions:
1. Were the project components adequately designed before construction or installation?
2. Is the construction or rehabilitation in compliance with the standards of the design?
3. Is an adequate quality management program being used?
4. Does the contract or task order address the sustainability of the project?
5. Will the project results be consistent with its original objectives?

Conclusions

The assessment determined that:
- Project components were adequately designed prior to construction or installation. Construction planning was adequate because the contract Statement of Work provided sufficient

Damage to the north side of the services building and perimeter wall.
(Photo courtesy of USACE)

Refurbished services building.

specificity and flexibility for the contractor to determine the scope of work. Also, the USACE Gulf Region North (GRN) engineering team and the KRG Ministry of Interior worked closely with the contractor to review and approve construction and QC plans. Finally, the contractor had recently constructed the original complex (before it was bombed) for the KRG and had detailed knowledge of the design, materials, and resources necessary to complete the refurbishment.

- The quality of the workmanship and materials used in construction that SIGIR observed was adequate. The partnership between GRN, KRG, and the contractor provided an effective management team that resulted in quality contract execution and construction management.

- The contractor's QC plan and the U.S. government's QA program facilitated quality refurbishment of the Ministry of Interior complex. The contractor's quality management plan described specific procedures, practices, organization structure, and the sequence of activities to be implemented by the contrac-

tor to execute the work in accordance with the contract requirements.

- The government's QA program verified the effectiveness and accuracy of the contractor's QC plan and procedures for producing the quality of work required.

- During the year before the bombing, the KRG demonstrated successful management of the sustainability of the Ministry of Interior complex. O&M will be under the management of the general director of local administration, currently occupied by an architectural engineer who has the appropriate staff and skills to operate and maintain the complex.

- If the site supervisor continues the current level of oversight, the KRG's Ministry of Interior complex, when completed, should meet and be consistent with the original contract objectives. The completed project should result in a functioning government complex. Acceptance of the complex by the KRG will involve completing the formal turnover process established by GRN.

Repaired wall, installed T-walls, and reconstructed guard shack. Photo taken from the roof of the services building.

Recommendations and Management Comments

This report contains no negative findings or recommendations for corrective action; therefore, management comments were not required. The results of this assessment were discussed in detail with the Resident Engineer, GRN, and briefed to Multi-National Corps-Iraq (MNC-I) office when the field work was completed. SIGIR provided formal exit conferences to the GRD Audit Liaison Office on March 4, 2008, and to MNC-I on March 5, 2008.

GRD notified SIGIR that it had reviewed the report and had no comments.

Sarwaran Primary School, Erbil, Iraq
SIGIR PA-08-120

The objective of the Sarwaran Primary School construction project is to support the Kurdistan Regional Government's (KRG's) emphasis on education by meeting the heightened demand for schools, caused by an increased population in the area. The school is to meet the demand for a new village of 600 families that were relocated from the city's old citadel area.

Project Assessment Objectives

The objective of this project assessment was to provide real-time relief and reconstruction project information to interested parties to enable appropriate action, when warranted. This limited scope assessment was conducted in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency. The assessment team included an engineer/inspector and an auditor/inspector. Specifically, SIGIR determined:

1. Were the project components adequately designed before construction or installation?
2. Is the construction or rehabilitation in compliance with the standards of the design?
3. Is an adequate quality management program being used?
4. Does the contract or task order address the sustainability of the project?
5. Will the project results be consistent with its original objectives?

Conclusions

The assessment determined that:

- Project components were adequately designed prior to construction or installation. The con-

tract Bills of Quantity and drawings, combined with dialogue between the Multi-National Division-Northeast (MND-NE), the KRG, and the contractor provided sufficient details for the contractor to develop the project and perform all necessary work.

- Contract execution and construction management have not been optimal because project management left quality issues unresolved. As a result, the inspection team concluded that the work is closer to 90% complete, rather than the 99% estimate made by the contractor and project management team. This conclusion is based on the amount of additional work necessary to finish the project and to correct deficiencies identified during the site visit.

- A month after the SIGIR site visit on March 5, 2008, SIGIR conducted a briefing of this draft report with representatives of the Multi-National Corps-Iraq (MNC-I) and MND-NE. At this briefing, photographs were provided to the inspection team documenting that corrective action had been taken on the deficiencies observed, except for the two items not covered in the contract—the fire-alarm system and the securing of the septic tank and cesspool area.

- The contract did not require a QC plan. However, adequate contractor management and government QA oversight by the site supervisor compensated for the missing QC plan.

- Sustainment planning was not apparent. SIGIR found no evidence in the contract documentation that completion documents, operation and maintenance manuals, user training, and warranties were required by the contract. Without a contractual requirement for these

necessary elements, the burden of ensuring availability in sufficient detail and quality to support an effective sustainment effort shifts to the KRG.

- If the site supervisor continues the current level of oversight, the Sarwaran Primary School construction project, when completed, should meet and be consistent with the original contract objectives. The completed project should result in a functioning primary school.

Other Matters of Interest

SIGIR's assessment produced the following ancillary concerns about the process that MND-NE used to award contracts and manage the construction:

- **Authority to award contracts:** Under CERP's Standard Operating Procedures (paragraph 4.e.), contracts for U.S.-appropriated and Iraqi-funded CERP projects exceeding $500,000 must be negotiated by a warranted contracting officer. The contracting officer for Coalition Forces of the Republic of Korea (ROK coalition forces) awarded the contract for the Sarwaran Primary School construction project. The contracting officer for the ROK coalition forces stated that the delegation process for his authority started with the MNC-I Commanding General and continued through the MND-NE Commanding General and Chief of Finance to him. However, the ROK contracting officer could not provide any documentation showing that he was a warranted contracting officer authorized to award contracts on behalf of the United States.

- **Contract content:** The contract awarded by

Fire-bucket racks, the only fire safety equipment observed at the time of the site visit.

MND-NE was not consistent with U.S. procurement standards and may have impeded effective management and oversight of the work. The contract contains detailed requirements, Bills of Quantity, and drawings that provide a reasonable design for the contractor to build the school; nevertheless, requirements for a QC plan, daily site reports, documented test results, and material/equipment approvals were not included. Also, the contract did not require a documented turnover process. Finally, the contract required that the bathroom fixtures be produced in Iran, which is currently under U.S. trade sanctions.

Recommendations

SIGIR makes these recommendations:

- MNC-I should coordinate with MND-NE to ensure that a sufficient sustainment turnover package is developed before the Sarwaran Primary School construction project is transferred to the KRG.
- MNC-I should coordinate with MND-NE to ensure that the deficiencies identified by the SIGIR inspection, but not corrected by the completion of this report, are corrected before

the project is transferred to the KRG: (1) adequate fire-sensing, alarm, and fire-fighting systems are installed, and (2) the septic tank and cesspool area are secured to prevent access by students.

- MNC-I should conduct a legal review to determine if coalition partners can be authorized to award contracts funded with U.S. appropriations. If this practice is authorized, MNC-I should take three actions. First, ensure that coalition partners that award U.S.-funded contracts are properly warranted. Second, review the content of MND-NE's contracts to ensure they are consistent with U.S. procurement policies and standards for the same contract type. Third, remove from all contracts the requirement for MND-NE contractors to buy Iranian products.
- If MNC-I concludes that the legal authority to award contracts funded with U.S. appropriations cannot be delegated to coalition partners, it should take the necessary action to transfer contract management to the appropriate U.S. contracting authority.

Sarwaran school—finish of the outside building.

Management Comments

Management comments on a draft of this report were requested from Multi-National Corps-Iraq (MNC-I), but not provided. MNC-I informed SIGIR that requests for comments from them must be made through MNF-I and U. S. Central Command. SIGIR requests that MNC-I or MNF-I provide comments on the four recommendations in this report.

Binaslawa Middle School, Erbil, Iraq
SIGIR PA-08-121

The objective of the Binaslawa Middle School construction project is to support the emphasis of the Kurdistan Regional Government (KRG) on education by meeting the heightened demand for schools caused by the increased population in the area. The school will meet the demand for a new village of 600 families that were relocated from the city's old citadel area.

Project Assessment Objectives

The objective of this project assessment was to provide real-time relief and reconstruction project information to interested parties to enable appropriate action, when warranted. SIGIR conducted this limited scope assessment in accordance with the Quality Standards for Inspections issued by the President's Council on Integrity and Efficiency. The assessment team included an engineer/inspector and an auditor/inspector. Specifically, SIGIR determined:

1. Were the project components adequately designed before construction or installation?
2. Is the construction or rehabilitation in compliance with the standards of the design?
3. Is an adequate quality management program being used?
4. Does the contract or task order address the sustainability of the project?
5. Will the project results be consistent with its original objectives?

Conclusions

The assessment determined that:
- Project components were adequately designed prior to construction or installation. The contract Bills of Quantity and drawings—combined with the dialogue between the Multi-National Division-Northeast (MND-NE), the

Perimeter fence segment.

Graded facility grounds.

KRG, and the contractor—provided sufficient details for the contractor to design the project and perform the work.

- The quality of the workmanship and materials used in construction that SIGIR observed appears to be adequate. However, without a documented record of test results, photographs, material approvals, etc., SIGIR cannot attest to the quality of the completed work. This includes the structural integrity of load-bearing walls and floors, and the quality of electrical wiring and indoor plumbing. If poor workmanship or inferior materials result in defective construction, it may not be discovered until after the warranties have expired.

- The SIGIR inspection noted three areas of concern. First, fire-sensing, fire-alarm, and fire-fighting systems were not installed in the facility and were not required by the contract. Second, the septic tank and cesspool area were not secured to prevent students from entering the area. Third, the cesspool access-door structure showed inferior workmanship and was susceptible to collapse.

- The contract did not require a QC plan. However, adequate contractor management and government QA oversight by the site supervisor appeared to compensate for the missing QC plan.

- Sustainment planning was not apparent. SIGIR found no evidence that the contract required completion documents, operation and maintenance manuals, user training, and warranties. Without a contractual requirement for these necessary elements, the burden of ensuring sustainment shifts to the KRG. The danger that the KRG would be unable to sustain the new school is, however, mitigated by the KRG's demonstrated capacity to maintain its government infrastructure.

- If the site supervisor continues the current level of oversight, the Binaslawa Middle School construction project, when completed, should meet and be consistent with the original contract objectives. The completed project should result in a functioning middle school.

Other Matters of Interest

The SIGIR assessment produced the following ancillary concerns about the process that MND-NE used to award contracts and manage the construction:

- **Authority to award contracts:** Under CERP's Standard Operating Procedures (paragraph 4.e.), contracts for U.S.-appropriated and Iraqi-funded CERP projects exceeding $500,000 must be negotiated by a warranted contracting officer. The contracting officer for Coalition

Forces of the Republic of Korea (ROK coalition forces) awarded the contract for the Binaslawa Middle School construction project. The contracting officer for the ROK coalition forces stated that the delegation process for his authority started with the MNC-I Commanding General and continued through the MND-NE Commanding General and Chief of Finance to him. However, the ROK contracting officer could not provide any documentation showing that he was a warranted contracting officer authorized to award contracts on behalf of the United States.

- **Contract content:** The contract awarded by MND-NE was not consistent with U.S. procurement standards and may have impeded effective management and oversight of the work. The contract contains detailed requirements, Bills of Quantity, and drawings that provide a reasonable design for the contractor to build the school; nevertheless, requirements for a QC plan, daily site reports, documented test results, and material/equipment approvals were not included. Also, the contract did not require a documented turnover process. Finally, the contract required that bathroom fixtures be produced in Iran, which is currently under U.S. trade sanctions.

Recommendations

SIGIR makes these recommendations:
- MNC-I should coordinate with MND-NE to ensure that a sufficient sustainment turnover package is developed before the Binaslawa Middle School construction project is trans-

ferred to the KRG.
- MNC-I should coordinate with MND-NE to ensure that the deficiencies identified in the SIGIR inspection are corrected before the project is transferred to the KRG.
- MNC-I should conduct a legal review to determine if coalition partners can be authorized to award contracts funded with U.S. appropriations. If this practice is authorized, MNC-I should: (1) Ensure that coalition partners who award U.S.-funded contracts are properly warranted; (2) Review the content of MND-NE's contracts to ensure they are consistent with U.S. procurement policies and standards for the same contract type; and (3) Remove from all contracts the requirement for MND-NE contractors to buy Iranian products.
- If MNC-I concludes that legal authority to award contracts funded with U.S. appropriations cannot be delegated to coalition partners, it should take the necessary action to transfer contract management to the appropriate U.S. contracting authority.

Management Comments

Management comments on a draft of this report were requested from Multi-National Corps-Iraq (MNC-I), but not provided. MNC-I informed SIGIR that requests for comments from them must be made through MNF-I and U. S. Central Command. SIGIR requests that MNC-I or MNF-I provide comments on the four recommendations in this report.

Nassriya Prison Expansion, Nassriya, Iraq
SIGIR PA-08-123

The overall objective of this project was to increase the bed count of the Iraqi Corrections Service for the Ministry of Justice through the construction of additional structures. Based on the Scope of Work, the objective of the project was to design and construct Phase II of the maximum/medium security prison facility in the central region of Iraq. Phase II's specific objective included the construction of an additional medium security building, which would house 400 inmates, an accompanying visitation building, site work, utility connections, and all appropriate security structures complete with all furniture, fixtures, equipment, and buildings ready for sustained operation.

Project Assessment Objectives

The objective of this project assessment was to provide real-time relief and reconstruction project information to interested parties to enable appropriate action, when warranted. Specifically, the assessment answered these questions:

1. Were the project components adequately designed before construction or installation?
2. Is the construction or rehabilitation in compliance with the standards of the design?
3. Is an adequate quality management program being used?
4. Does the contract or task order address the sustainability of the project?
5. Will the project results be consistent with its original objectives?

Conclusions

The assessment determined that:

- The design package appeared to be complete and sufficiently detailed to construct the Nassriya Prison Facility Phase II. SIGIR's review found that the design concept and parameters used for the facility and utilities were satisfactory. The Phase II project, if constructed in accordance with the approved design and specifications, should produce a useable inmate building. Additionally, the design considered the architectural compatibility of the prison facilities and considered future plans for prison expansion.
- The project to date comprises the construction of the reinforced concrete foundations, columns, beams, and walls. The foundations and the load-bearing frame appear to be constructed to contract specifications. If current levels of workmanship are continued in accordance with the design and specifications, the project should result in a fully functional prison for the Iraqi Ministry of Justice.
- The contractor's quality control (QC) plan was sufficiently detailed to effectively guide the contractor's quality management program. Further, the contractor's daily QC reports contained the required project and work activity information to document construction progress and identify problems and required corrective action. The contractor maintained nonconformance reports to document problems noted with construction/renovation activities.
- The government QA program was effective in monitoring the contractor's QC program.

Ongoing construction work for the concrete frame and foundations.

Core area of inmate housing.

The QA team ensured that deficiencies cited during QA inspections were corrected. The QA team also maintained daily QA reports that contained project-specific information to document construction progress and highlight deficiencies. The QA team also supplemented the daily reports with detailed photographs that reinforced the narrative information provided in the reports.

- The contract requirements addressed the sustainability of the project. The contract required the contractor to provide and certify the warranties for all equipment, which includes any mechanical, electrical and/or electronic devices, and all operations for 12 months after the issuance of the Taking-Over-Certificate.

- To date, the Nassriya Prison Expansion design and construction have been consistent with the contract objectives. If the current quality of construction and effective project management continues, an inmate housing unit with a 400-bed capacity will be completed.

Recommendations and Management Comments

This report does not contain any negative findings or recommendations for corrective action. As a result, management comments are not required. SIGIR did receive comments on a draft of this report from the Gulf Region Division of the U.S. Army Corps of Engineers, which generally agreed with the facts and conclusion in the report and provided technical clarifying information for this final report.

Nassriya Prison Follow-up, Nassriya, Iraq
SIGIR PA-08-131

The overall objective of the Nassriya Prison facility project was to increase the bed count of the Iraqi Corrections Service for the Ministry of Justice through the construction of a new secure prison facility. The objective of the project was to continue the construction on the maximum/medium security prison facility in Nassriya.

Project Assessment Objectives
SIGIR conducted this limited scope assessment in accordance with the Quality Standards for Inspections issued by the President's Council on

Sully gate, guard tower, perimeter wall, and interior chain-link fences along prison perimeter.

Integrity and Efficiency. The assessment team included an engineer/inspector and an auditor/inspector. Specifically, the assessment answered these questions:

1. Were the project components adequately designed prior to construction or installation?
2. Did the construction or rehabilitation meet the standards of the design?
3. The contractor's quality control (QC) program and the U.S. government's quality assurance (QA) program adequate?
4. Was project sustainability addressed?
5. Were the project results consistent with the original objectives?

Conclusions

The assessment determined that:

- SIGIR conducted an in-depth review of the design of the whole facility and issued SIGIR Assessment PA-06-054 on July 25, 2006. The design was found to be satisfactory. A review of the design of the utilities during this assessment, in light of the proposed change in function from an industrial and vocational building to inmate housing, concluded that there was adequate capacity in the water supply and wastewater treatment systems to accommodate the change.

- The observed construction work associated with the prison met the requirements of the drawings and specifications. The USACE Gulf Region South Project Engineers took an active role in managing the project to ensure quality and compliance with the contract requirements. The project should result in a fully functional prison for the Iraqi Ministry of Justice.

- The contractor's QC plan was sufficiently detailed and had the structure and control to effectively guide the contractor's quality management program. Further, the contractor's daily QC reports contained required project and work activity information to document construction progress and identify problems and required corrective action.

- The U.S. government's QA program was effective in monitoring the contractor's quality control program. The Project Engineer and the Iraqi construction engineers ensured that

Entrance and walkway of inmate housing.

all deficiencies cited during quality assurance inspections were corrected. The QA representative also maintained daily QA reports that contained project-specific information to document construction progress and highlight deficiencies. The QA representative also supplemented the daily reports with detailed photographs that reinforced the narrative information provided in the reports.

- Sustainability was addressed in the contract requirements. The Nassriya Prison project should result in a functional and modern prison. The contract required the contractor to train the appropriate individuals, provide O&M manuals, and provide warranties for one year after the Taking-Over-Certificate is issued. The adequacy of the local contractor's performance in carrying out the construction of the prison indicates the availability of local personnel with the appropriate skills to carry

out the required maintenance and operation of the facility.

- The Nassriya Prison construction to date has been consistent with the original contract objectives. If the current quality of construction and effective project management continues, a prison with functional utilities, systems, and structural integrity will be realized.

Recommendations and Management Comments

This report does not contain any negative findings or recommendations for corrective action. As a result, management comments are not required. SIGIR did receive comments on a draft of this report from the Gulf Region Division of the U.S. Army Corps of Engineers, which generally agreed with the facts and conclusion in the report and provided technical clarifying information for this final report.

AERIAL PROJECT SURVEY PROGRAM

The SIGIR Satellite Imagery Group, based in Arlington, Virginia, conducts aerial assessments of U.S.-funded reconstruction project sites throughout Iraq. The SIGIR satellite imagery analyst provides current imagery, imagery-based intelligence, and map products to the SIGIR directorates—Inspections, Audits, and Investigations. This has enabled SIGIR to provide current information on remote site locations and to track construction progress at project sites throughout Iraq.

This quarter, SIGIR conducted imagery analysis of 56 images and created 21 imagery products, using satellite imagery and limited available contract information. The imagery provides visual assessment of progress at reconstruction site locations throughout Iraq. The SIGIR imagery analyst assessed and reviewed CERP, IRRF, and INL projects evaluated this quarter. For an overview of the images produced, see Table 3.5.

Imagery support products—including site overviews, project site break-outs, and site assessments—are used to prepare for inspection site visits and to identify possible problems. This quarter, 21 imagery products were produced to assist inspectors with their project assessments of the 7 sites assessed this quarter.

Also this quarter, one map graphic of five cities in Iraq and the region of the country south of them was provided to the audit directorate for use in a report.

IMAGERY ASSESSED SUPPORTING PROJECT ASSESSMENTS

PROJECT TYPE	NUMBER OF IMAGES
Nassriya Water Treatment Plant	28
Nassriya Prison	8
Kurdistan Regional Government Ministry of Interior Complex	8
Binaslawa School	4
Sarwaran School	2
Al-Ghazaliyah G-6 Sewage Lift Station	2
Indistinct imagery analyzed	4
ADDITIONAL PRODUCTS	
Iraqi cities—Audits	5

TABLE 3.5

Imagery overview of the Kurdistan Regional Government Ministry of Interior taken on March 7, 2007, which inspectors assessed this quarter in PA-08-119.

Imagery taken on December 19, 2007, of the Nassriya station, part of the Nassriya Water Treatment Plant network, which was assessed in SIGIR PA-07-116.

Imagery taken on February 28, 2008, of the Suq Al-Shoyokh station, part of the Nassriya Water Treatment Plant network, which was assessed in SIGIR PA-07-116.

Side-by-side time sequence comparison of the Nassriya Prison Facility between December 2, 2006, and September 29, 2007, for use in this quarter's project assessment reports—SIGIR PA-08-123 and SIGIR PA-08-131.

In partnership with the National Geospatial-Intelligence Agency and the National Ground Intelligence Center, SIGIR imagery analysis has resulted in 481 cumulative satellite imagery assessments and products (see Figure 3.2).

Figure 3.2

AERIAL IMAGERY ASSESSMENTS

This Quarter
Other Quarters
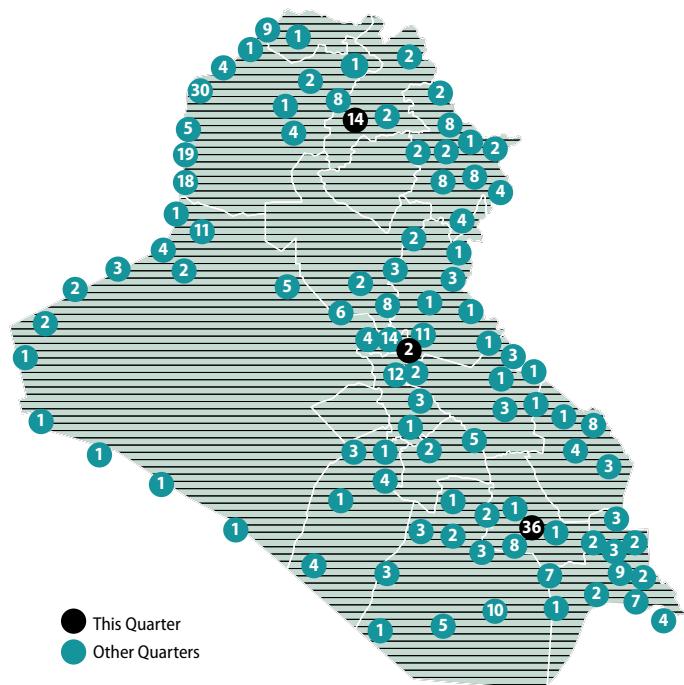
INVESTIGATIONS

SIGIR Investigations continues its work on 52 open investigations with a wide range of U.S. agency partners to pursue allegations of fraud, waste, and abuse in Iraq reconstruction. This quarter, SIGIR had 5 agents assigned to Baghdad and 13 agents at SIGIR headquarters in Arlington, Virginia. SIGIR Investigations has placed four individuals in offices (to support current investigations and task forces) located in Pennsylvania, Florida, and Texas, with an additional position being added in Ohio next quarter to support task force investigations in the midwestern states.

To date, the work of SIGIR investigators has resulted in 14 arrests, 15 indictments, 5 convictions, and more than $17 million in fines, forfeitures, recoveries, and restitution. Five defendants will be tried in September 2008, and an additional five defendants await pending judicial action.

SIGIR AND ITS INVESTIGATIVE PARTNERS

SIGIR's investigative partners include:
- U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit (CID-MPFU)
- Defense Criminal Investigative Service (DCIS)
- Federal Bureau of Investigation (FBI)
- U.S. Agency for International Development, Office of Inspector General (USAID OIG)
- U.S. Department of State, Office of Inspector General (DoS OIG)

The International Contract Corruption Task Force (ICCTF), which comprises SIGIR and the agencies listed above, coordinates all of the work on fraud in Iraq. Since October 2006, the ICCTF Joint Operations Center (JOC) has provided strategic and operational support to the participating partners, including case coordination and de-confliction, analytical support, and criminal intelligence. The JOC, based at FBI headquarters in Washington, D.C., is managed by senior investigative officials from the ICCTF agencies. Its primary goal is to enhance interagency cooperation and maximize the investigative resources of the partner agencies.

SIGIR continues to support the ongoing invoice review project conducted by the Defense Finance and Accounting Service (DFAS) in Rome, New York. DCIS launched this proactive project to analyze more than $10 billion in payment vouchers for U.S. Army purchases to support the war in Iraq. The project has identified suspected fraudulent activity related to the war in Iraq, and during this quarter, additional referrals for investigation have been provided to the ICCTF agencies, including SIGIR. Also during this reporting period, DFAS provided a copy of the Commercial Accounts Payable System (CAPS) database for several of the disbursing stations in the Middle East. DoD OIG will use data-mining techniques to identify fraudulent activity as part of an expanding effort that will collect and mine CAPS data from all sites in the Southwest Asia theater of operations. Data from DFAS is also being provided to the JOC for use by the participating agencies in support of ongoing investigations involving fraud and corruption in Iraq.

SIGIR participates in the National Procurement Fraud Task Force (NPFTF) and the International Working Committee (IWC), which

is a subcommittee of the NPFTF. In October 2006, the DoJ Criminal Division created NPFTF to promote the early detection, prevention, and prosecution of procurement fraud associated with increased contracting activity for national security and other government programs. The IWC links DoJ and federal law enforcement agencies and provides a venue to address prosecutorial issues resulting from fraud investigations conducted in an international war zone.

The Logistics Civil Augmentation Program (LOGCAP) Task Force in Rock Island, Illinois, continues to prosecute a wide variety of cases of fraud and other criminal activity related to U.S. activities in Iraq. The work of the task force is conducted by investigators from CID-MPFU, DCIS, FBI, and the Internal Revenue Service, as well as prosecutors from the U.S. Attorney's Office, Central District of Illinois, and the Criminal Division of DoJ. LOGCAP is a U.S. Army initiative for the use of civilian contractors in wartime and other contingencies to support U.S. forces, allowing the release of military units for other missions or to fill support shortfalls. Although not a member of this group, SIGIR reports the task force's cases to show the overall picture of fraud in Iraq. For details on indictments and convictions, see Table 3.6.

In addition to the agencies listed above, SIGIR agents also work with these agencies in the United States:

- U.S. Immigration and Customs Enforcement (ICE)
- Internal Revenue Service, Criminal Investigation (IRS-CI)
- U.S. Army Suspension and Debarment Authority

LEGAL ACTIONS THIS QUARTER

A trial arising from a SIGIR investigation involving five subjects, originally scheduled to start in March 2008, has been rescheduled to September 2008. Three of the defendants were active duty military personnel: U.S. Army Colonel Curtis G. Whiteford and U.S. Army Lt. Colonels Debra M. Harrison and Michael Wheeler. The other two are civilians—Michael Morris and William Driver. All are scheduled to stand trial for various crimes alleged to have been committed involving Iraq. The charges include conspiracy, bribery, wire fraud, interstate transport of stolen property, bulk cash smuggling, money laundering, and preparing a false tax form.

Arising from another SIGIR investigation, on March 5, 2008, a federal grand jury indicted David Ricardo Ramirez in San Antonio, Texas, on charges of smuggling bulk amounts of cash and structuring bank transactions to avoid cash-reporting requirements involving more than $150,000. He allegedly spent the money on various properties and vehicles. From November 2006 to November 2007, Ramirez worked as a contractor for Readiness Management Support at Balad Air Base in Iraq; the indictment alleges that the cash was transferred from Balad, Iraq, to San Antonio, Texas, during this same time period.

SUSPENSIONS AND DEBARMENTS

Since SIGIR's last Quarterly Report, the Procurement Fraud Branch has suspended 26 more individuals and companies, based on allegations of fraud and misconduct connected to reconstruction and contractor fraud in Iraq and Afghanistan, bringing the total suspensions to date to 58. In addition, since the last Quarterly Report, 2 individuals and companies have been proposed for debarment and 2 have been debarred, bringing the total proposed debarments to 35 and the total debarments to 25. (During the first quarter of 2008, the Procurement Fraud Branch conducted a comprehensive review of its files, resulting in the addition of three companies and individuals not previously listed. These companies and individuals were proposed for debarment in late 2005 and were subsequently debarred in early 2006.)

For details on suspensions and debarments, see Appendix J.

INDICTMENTS AND CONVICTIONS

NAME	POSITION	CONTRACTOR/COMPANY/AGENCY	CHARGES	DATE OF CONVICTION	SENTENCE	DATE OF SENTENCE
Investigations Led by SIGIR						
Philip Bloom	Owner	Global Business Group, GBG Holdings & GBG-Logistics Division	Conspiracy, bribery, and money laundering	3/10/2006	46 months in prison; 2 years of supervised release; $3.6 million in restitution and $3.6 million in forfeiture, and a $300 special assessment	2/16/2007
LTC Bruce D. Hopfengardner	Special Advisor to the CPA-SC	U.S. Army Reserves	Conspiracy and conspiring to commit wire fraud and money laundering, and smuggling currency	8/25/2006	21 months in prison, $144,500 forfeiture, 3 years supervised release, and a $200 fine	6/25/2007
Steven Merkes	DoD Civilian	U.S. Army Reserves	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison; $24,000 in restitution	6/1/2007
Faheem Mousa Salam	Interpreter	Titan Corporation	Violating the FCPA's Anti-Bribery Provisions	8/4/2006	3 years in prison; 2 years of supervised release; 250 hours of community service; and a $100 special assessment	2/2/2007
Robert Stein	CPA-SC Comptroller and Funding Office	Coalition Provisional Authority	Felon in possession of a firearm, possession of machine guns, bribery, money laundering, and conspiracy	2/2/2006	9 years in prison; 3 years of supervised release; $3.5 million in restitution, $3.6 million in forfeiture, and a $500 special assessment	1/29/2007
Curtis G. Whiteford	Colonel	U.S. Army Reserves	Conspiracy, bribery, and wire fraud	Trial scheduled for September 2008		
Michael B. Wheeler	Lieutenant Colonel	U.S. Army Reserves	Conspiracy, bribery, wire fraud, interstate transportation of stolen property, bulk cash smuggling	Trial scheduled for September 2008		
Debra M. Harrison	Lieutenant Colonel	U.S. Army Reserves	Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, preparing false tax return	Trial scheduled for September 2008		
William Driver	(Husband of Debra Harrison)		Money laundering	Trial scheduled for September 2008		
Michael B. Morris	Businessman		Conspiracy, wire fraud	Trial scheduled for September 2008		
Led by Other Agencies						
Jennifer Anjakos	Military Reservist	California Army National Guard/223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; $100 assessment; $86,557 restitution	9/17/2007
Christopher Cahill	VP, Middle East and India	Eagle Global Logistics, Inc. (EGL)	Major fraud against the United States	2/16/2007	30 months in prison; 2 years supervised release; $10,000 fine; $100 assessment (a civil settlement with EGL arising from the same facts resulted in a settlement of $4 million)	8/30/2006
Lomeli Chavez	Enlisted, Grade E5, Military Reservist	California Army National Guard/223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; $100 assessment; $28,107 restitution	9/17/2007
Derryl Hollier	Enlisted, Grade E5, Military Reservist	California Army National Guard/223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; $100 assessment; $83,657.47 restitution	9/19/2007
Shabbir Khan	Director of Operations, Kuwait and Iraq	Tamimi Global Co., Ltd. (subcontractor for KBR)	Paying kickbacks to receive $21.8M in military subcontracts	6/23/2006	51 months in prison; 2 years supervised release; $10,000 fine; $133,860 in restitution; $1,400 assessment	12/1/2006
Jesse D. Lane	Military Reservist	California Army National Guard/223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months prison; $323,228 in restitution	10/15/2007
Luis Lopez	Enlisted, Grade E5, Military Reservist	California Army National Guard/223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; $100 assessment; $66,865 restitution	9/17/2007

Indictments and Convictions

Name	Position	Contractor/Company/Agency	Charges	Date of Conviction	Sentence	Date of Sentence
Anthony J. Martin	Subcontract Administrator	KBR, Inc.	Violation of the Anti-Kickback Act	7/13/2007	No press release	11/16/2007
Bonnie Murphy	Contracting Officer's Representative (COR)	DoD Defense Reutilization and Marketing Service (DRMS)	Accepting unlawful gratuities	11/7/2006	1 year supervised release; $1,500 fine	March 2007
Gheevarghese Pappen	Army Corps of Engineers (Civilian Employee, GS-12)	U.S. Army	Soliciting and accepting illegal gratuities	10/12/2006	2 years in prison; $28,900 in restitution; one year supervised release	1/30/2007
CWO Peleti Peleti, Jr.	Army's Food Service Advisor for Kuwait, Iraq & Afghanistan	U.S. Army	Bribery and smuggling cash	2/9/2007	28 months in prison; $57,500 fine and forfeiture	2/20/2008
Glenn Powell	Subcontracts Manager	KBR, Inc.	Major fraud and violating the Anti-Kickback Act	8/1/2005	15 months in prison; 3 years supervised release; $90,973.99 in restitution; $200 assessment	11/18/2005
Stephen Seamans	Subcontracts Manager	KBR, Inc.	Wire fraud, money laundering, and conspiracy	3/1/2006	12 months and 1 day in prison; 3 years supervised release; $380,130 in restitution; $200 assessment	12/1/2006
Kevin A. Smoot	Managing Director	Eagle Global Logistics, Inc.	Violating the Anti-Kickback Act, false statements	7/20/2007	14 months in prison; 2 years supervised release; $6,000 fine; $17,964 in restitution	12/18/2007
John Allen Rivard	Major	U.S. Army Reserves	Bribery, conspiracy, money laundering	7/23/2007 (pled guilty)	10 years in prison; 3 years supervised release; $5,000 fine; $1 million forfeiture order	10/19/2007
Maj. John Lee Cockerham	Contracting Officer	U.S. Army	Bribery, conspiracy, money laundering			
Melissa Cockerham	(Wife of John Cockerham)		Conspiracy, money laundering			
Carolyn Blake	(Sister of John Cockerham)		Conspiracy, money laundering			
Capt. Austin Key	Contracting Officer	U.S. Army	Bribery	12/19/2007 (pled guilty)		Sentencing set for 6/27/2008
Samir Mahmoud	Employee of U.S. Construction Company		Pled guilty to making false statements during investigation into possible violations of Anti-Kickback Act	11/3/2006 (pled guilty)	1 day credit for time served; 2 years of supervised release	2/2/2007
Ali Hijazi	Kuwaiti Businessman		4 counts of major fraud against U.S. and 6 counts wire fraud	Fugitive		
Jeff Alex Mazon	Subcontractor Employee	KBR, Inc.	4 counts of major fraud against U.S. and 6 counts wire fraud	Trial scheduled for 4/14/2008		
Zubair Khan	Contractor	Tamini Global Co. Ltd.	Wire fraud, witness tampering, obstruction of justice, and making false statements	Fugitive		
Terry Hall	Contractor	U.S. Army	2 counts of bribery	Trial date pending		
Samir Itani	Owner	American Grocers Inc.	46 counts of false claims and conspiracy	Trial scheduled for 6/2/2008		
Elie Samir Chidiac	Iraq manager	Raman Corporation	Conspiracy and bribery	No trial date		
Raman International Corp.			Conspiracy and bribery	No trial date		
Joseph Crenshaw	CWO	U.S. Army	Conspiracy	No trial date		
Michael Carter	Project Engineer	Force Protection Industries	Accepting kickbacks	1/25/2008		
David Ramirez	Contractor	Readiness Management Support LC	Cash smuggling and bank transaction structuring			

TABLE 3.6

SIGIR HOTLINE

The SIGIR Hotline facilitates the reporting of fraud, waste, abuse, mismanagement, and reprisal in all programs associated with U.S.-funded reconstruction efforts in Iraq. The SIGIR Hotline receives cases that are not related to programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq; SIGIR transfers these cases to the appropriate entity. The SIGIR Hotline also receives walk-in, telephone, mail, fax, and online contacts from Iraq, the United States, and throughout the world.

FIRST QUARTER REPORTING

As of March 31, 2008, the SIGIR Hotline had initiated 641 cases. Of these, 569 have been closed, and 72 remain open. For a summary of the open cases, see Table 3.7.

NEW CASES

During this reporting period, the SIGIR Hotline received 23 new complaints, bringing the cumulative total to 641 Hotline cases. The new complaints were classified in these categories:
- 15 involved contract fraud.
- 4 involved miscellaneous issues.
- 3 involved personnel issues.
- 1 involved abuse.

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal by electronic mail. The SIGIR's 23 new Hotline complaints were received by these means:
- 18 by electronic mail
- 4 by SIGIR Hotline telephone call
- 1 by fax

SUMMARY OF SIGIR HOTLINE CASES, AS OF MARCH 31, 2008

OPEN CASES	
Investigations	62
Audits	10
Total Open	**72**

CLOSED CASES	1ST QTR 2008	CUMULATIVE*
Freedom of Information Act	0	4
OSC Review	0	2
Assists	1	46
Dismissed	4	116
Referred	10	242
Inspections	0	79
Investigations	1	71
Audits	0	9
Total Closed	**16**	**569**
Cumulative* Open & Closed		**641**

*Cumulative totals cover the period since the SIGIR Hotline began operations—from March 24, 2004, to March 31, 2008.

TABLE 3.7

CLOSED CASES

During this quarter, 16 Hotline cases were closed:

- 10 were referred to other inspector general agencies.
- 4 were dismissed for being outside of SIGIR's investigative purview.
- 1 was closed by SIGIR Public Affairs.
- 1 was closed by SIGIR Investigations.

REFERRED COMPLAINTS

After a thorough review, SIGIR referred 10 complaints to outside agencies for proper resolution:

- 5 were sent to the Multi-National Force-Iraq Inspector General.
- 4 were sent to the Joint Contract Command-Iraq/Afghanistan.
- 1 was sent to the Office of Inspector General, U.S. Army Corps of Engineers.

SIGIR WEBSITE

During this reporting period, the SIGIR website (www.sigir.mil) recorded these activities:

- The site had more than 91,000 visitors this past quarter—more than 1,000 users per day.
- Most users were from within the United States (82%). The remaining 18% were from 168 other countries, mainly in Western Europe (6%), Asia (4%), and the Middle East (2%).
- The Arabic language section of the site received 850 visits, a slight decrease from the previous quarter.

- A significant percentage of visitors to the SIGIR website were from government agencies, most notably DoD, DoS, and the U.S. House of Representatives.
- Users visited the SIGIR Reports section most often.

The most frequently downloaded documents were SIGIR's recent Quarterly Reports.

AVERAGE NUMBER OF VISITORS PER DAY
Source: Web Analytics, as of (3/31/2008)
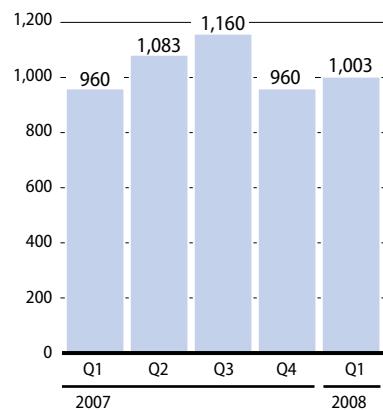
TOTAL NUMBER OF VISITORS PER QUARTER
Source: Web Analytics, as of (3/31/2008)
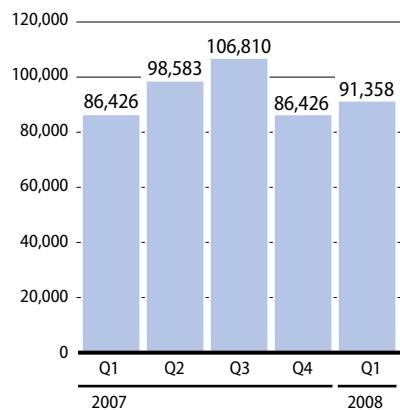
LEGISLATIVE UPDATE

On January 28, 2008, after the SIGIR January Quarterly Report went to press, the President signed the National Defense Authorization Act for Fiscal Year 2008 into law (Public Law 110-181); this law made several important changes to SIGIR's authority. In addition, during the reporting period, the Inspector General testified before one congressional committee.

AUTHORITY OF SIGIR AND RELATED MATTERS

On January 28, 2008, Public Law 110-181, the National Defense Authorization Act for Fiscal Year 2008, was signed into law.

The act includes three sections affecting SIGIR. First, SIGIR's oversight jurisdiction is expanded to include all amounts appropriated "**for the reconstruction of Iraq**" and defines that term to include all amounts appropriated for any fiscal year to the Iraq Relief and Reconstruction Fund, the Iraq Security Forces Fund, and the Commander's Emergency Response Program, as well as all amounts appropriated for "**assistance for the reconstruction of Iraq**" under the Economic Support Fund, the International Narcotics Control and Law Enforcement account, or any other provision of law. The Conference Report also modified the provision terminating SIGIR to provide that SIGIR shall terminate 180 days after the date on which unexpended amounts appropriated for the reconstruction of Iraq are less than $250 million.

Second, the act directs the Department of Defense Office of Inspector General (DoD OIG), SIGIR, and the new Special Inspector General for Afghanistan Reconstruction (SIGAR) to develop audit plans as follows:

1. DoD OIG shall develop a comprehensive plan for a series of audits of contracts, subcontracts, and task and delivery orders addressing the logistical support of coalition forces in Iraq and Afghanistan. DoD OIG shall do so "in consultation with other Inspectors General" mentioned elsewhere in the section "with respect to any contracts…over which such Inspectors General have jurisdiction."

2. SIGIR shall develop a comprehensive audit plan for a series of audits of federal agency contracts, subcontracts, and task and delivery orders for the performance of security and reconstruction functions in Iraq. SIGIR shall do so "in consultation with" the Inspectors General from DoS, USAID, and DoD "with respect to any contracts…over which such Inspectors General have jurisdiction."

3. SIGAR shall develop a comprehensive plan parallel to SIGIR's, but focused on Afghanistan. SIGAR shall do so "in consultation with other Inspectors General" mentioned elsewhere in the section "with respect to any contracts… over which such Inspectors General have jurisdiction."

The act provides that the inspectors general (IGs) of the DoD, DoS, USAID, SIGIR, and SIGAR shall perform the audits identified in the plan within the respective scope of their duties as specified in law. The IGs are to plan and perform their audits in an independent manner without consulting with the newly created Commission on Wartime Contracting in Iraq and Afghanistan, but audit reports may be provided to the Commission.

Third, the Conference Report provides additional protections to whistleblowers who allege fraud, waste, or abuse concerning DoD contracts. The provision protects persons making certain disclosures of wrongdoing to IGs, including SIGIR.

CONGRESSIONAL APPEARANCES

Since the last SIGIR Quarterly Report, the Inspector General appeared before one congressional committee:

- March 11, 2008—Senate Committee on Appropriations—Hearing on "The Effectiveness of U.S. Efforts To Combat Waste, Fraud, and Abuse in Iraq." The Inspector General provided testimony about the effectiveness of U.S. efforts to control corruption, waste, fraud, and abuse in Iraq, summarizing the results of SIGIR's efforts over the years.

OTHER
AGENCY
OVERSIGHT

SECTION 4

4

INTRODUCTION

In March 2004, SIGIR formed the Iraq Inspectors General Council (IIGC) to provide a forum for discussion of oversight in Iraq and to enhance collaboration and cooperation among the inspectors general (IGs) of the agencies that oversee Iraq reconstruction funds. Representatives of member organizations meet quarterly to exchange details about current and planned audits, identify opportunities for collaboration, and minimize redundancies.

The most recent meeting was held on February 13, 2008, at the SIGIR office in Arlington, Virginia. The following organizations attended the meeting:

- Department of Defense Office of Inspector General (DoD OIG)
- Department of State Office of Inspector General (DoS OIG)
- U.S. Army Audit Agency (USAAA)
- U.S. Agency for International Development Office of Inspector General (USAID OIG)
- Government Accountability Office (GAO)
- Defense Contract Audit Agency (DCAA)
- SIGIR

On January 28, 2008, the President signed the National Defense Authorization Act (NDAA). Section 842 of the NDAA authorizes SIGIR to develop a comprehensive audit plan for a series of contract audits of the performance of security and reconstruction functions in Iraq. The legislation requires SIGIR to lead the planning and coordination of these audits, in consultation with other oversight agencies, which include DoD OIG, DoS OIG, and USAID OIG.

Each quarter, SIGIR requests updates from member organizations on their completed, ongoing, and planned oversight activities. This section summarizes the audits and investigations reported to SIGIR this quarter by DoD OIG, DoS OIG, USAID OIG, GAO, and USAAA. For DCAA updates, see Appendix K. The U.S. Department of the Treasury and the U.S. Department of Commerce did not complete or initiate any new audits this quarter.

OTHER AGENCY AUDITS

This section updates the audits that IIGC member agencies reported to SIGIR:

For recently completed oversight report activity, see Table 4.1.

For ongoing oversight report activity of other U.S. agencies during this reporting period, see Table 4.2.

For more information on other agency audits, including audit summaries, see Appendix K.

For a complete historical list of audits and reviews on Iraq reconstruction by all entities, see Appendix L.

OTHER AGENCY INVESTIGATIONS

SIGIR regularly coordinates with other government agencies conducting investigations in Iraq. For statistics of investigative activities from other agencies, see Table 4.3.

RECENTLY COMPLETED OVERSIGHT REPORTS OF OTHER U.S. AGENCIES, AS OF 3/31/2008

AGENCY	REPORT NUMBER	REPORT DATE	REPORT TITLE
DoD	D-2008-067	3/31/2008	DoD Procurement Policy for Body Armor
DoD	D-2008-064	3/18/2008	Defense Hotline Allegations Concerning the Biometric Identification System for Access Omnibus Contract
DoD	D-2008-060	3/7/2008	Potable and Non-Potable Water Treatment in Iraq
DoD	D-2008-059	3/6/2008	Supplemental Funds Used for Medical Support for the Global War on Terror
DoD	D-2008-024	1/18/2008	Inspection Process of the Army Reset Program for Equipment for Units Returning from Operation Iraqi Freedom
DoD	IE-2008-001	1/4/2008	Review of Investigative Documentation Associated with the Fatality of a U.S. Army Corporal during Convoy Operations in Iraq
GAO	GAO-08-568T	3/11/2008	Stabilizing and Rebuilding Iraq: Actions Needed to Address Inadequate Accountability over U.S. Efforts and Investments
GAO	GAO-08-423R	1/30/2008	Global War on Terrorism: Reported Obligations for the Department of Defense
GAO	GAO-08-316R	1/22/2008	Defense Logistics: The Army Needs to Implement an Effective Management and Oversight Plan for the Equipment Maintenance Contract in Kuwait
GAO	GAO-08-153	1/18/2008	Iraq Reconstruction: Better Data Needed to Assess Iraq's Budget Execution
GAO	GAO-08-143R	11/30/2007	Operation Iraqi Freedom: DoD Assessment of Iraqi Security Forces' Units as Independent Not Clear Because ISF Support Capabilities Are Not Fully Developed
GAO	GAO-07-903	10/4/2007	Stabilizing and Rebuilding Iraq: U.S. Ministry Capacity Development Efforts Need an Overall Integrated Strategy to Guide Efforts and Management Risk
USAAA	A-2008-0091-ALL	3/31/2008	Internal Controls Over Contracted Dining Facility Operations, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
USAAA	A-2008-0090-ALL	3/20/2008	Supply Activities (H-Sites), Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
USAAA	A-2008-0077-ALL	3/20/2008	Contract Administration Over Contracted Dining Facility Operations, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
USAAA	A-2008-0085-ALL	3/18/2008	Class III (Bulk and Retail) Fuel Operations in the Iraq Area of Operations, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
USAAA	A-2008-0075-ALL	3/12/2008	Contractor-Acquired Property, Audit of Logistics Civil Augmentation Program Operations in Support of Operation Iraqi Freedom
USAID	E-267-08-001-P	3/18/2008	Audit of USAID/Iraq's Community Stabilization Program

Source: DoD reponse to SIGIR data call, April 7, 2008; GAO, response to SIGIR data call, April 8, 2008; USAAA, response to SIGIR data call, April 4, 2008; USAID, response to SIGIR data call, April 1, 2008.

TABLE 4.1

Ongoing Oversight Activities of Other U.S. Agencies, as of 3/31/2008

Agency	Project Number	Date Initiated	Project Description
DoD	D2008-D000AE-0174.000	3/10/2008	Marine Corps Implementation of the Urgent Universal Need Statement Process for Mine Resistant Ambush Protected Vehicles
DoD	D2008-D000CK-0161.000	2/26/2008	War Reserve Materiel Contract
DoD	D2008-D000FP-0132.000	2/25/2008	Internal Controls over Army, General Fund, Cash and Other Monetary Assets Held in Southwest Asia
DoD	D2008-D000AB-0133.000	2/19/2008	Air Force Combat Search and Rescue Helicopter
DoD	D2008-DOOOIG-0141.000	2/13/2008	Accountability of Munitions Provided to the Security Forces of Iraq, Phase II
DoD	D2008-D000CG-0123.000	2/7/2008	Price Reasonableness for Contracts at U.S. Special Operations Command
DoD	D2007-D000LA-0199.002	1/24/2008	Controls Over the Contractor Common Access Card Life Cycle in Southwest Asia
DoD	D2008-D000LQ-0111.000	1/8/2008	Equipment Status of Forces Deployed in Support of Operation Iraqi Freedom
DoD	D2008-D000FI-0083.000	12/27/2007	Controls over the Reporting of Transportation Costs in Support of the Global War on Terror
DoD	D2008-D000FE-0106.000	12/19/2007	Defense Emergency Response Fund for the Global War on Terror
DoD	D2008-D000LF-0093.000	11/28/2007	Medical Equipment Used To Support Operations in Southwest Asia
DoD	D2008-D000AB-0091.000	11/27/2007	Expeditionary Fire Support System and Internally Transportable Vehicle Programs
DoD	D2008-D000AS-0044.000	10/16/2007	Security Over Radio Frequency Identification
DoD	D2008-D000FJ-0014.000	10/11/2007	Small Arms Ammunition Fund Management in Support of the Global War on Terror
DoD	D2008-D000AS-0022.000	10/5/2007	Contracts for Supplies Requiring Use of Radio Frequency Identification
DoD	D2008-D000FJ-0006.000	9/20/2007	Payments for Transportation Using PowerTrack®
DoD	D2007-D000FL-0252.000	8/31/2007	Internal Controls and Data Reliability in the Deployable Disbursing System
DoD	D2007-DINT01-0092.003	8/31/2007	Audit of the Management of Signals Intelligence Counterterrorism Analysts
DoD	D2007-D000XA-0249.000	8/22/2007	Summary of Issues Impacting Operations Iraqi and Enduring Freedom Reported by Major Oversight Organizations Beginning FY 2003 through FY 2007
DoD	D2007-D000CK-0256.000	8/17/2007	Defense Hotline Allegations Concerning Contracts Issued by U.S. Army TACOM Life Cycle Management Command to BAE Systems Land and Armaments, Ground Systems Division
DoD	D2007-D000LA-0199.001	8/14/2007	Controls over the Contractor Common Access Card Life Cycle
DoD	D2007-D000LG-0228.000	8/6/2007	End-Use Monitoring of Defense Articles and Services Transferred to Foreign Customers
DoD	D2007-D000IG-0239.000	7/27/2007	Accountability of Munitions Provided to the Security Forces of Iraq
DoD	D2007-D000CK-0230.000	7/13/2007	Procurement and Delivery of Joint Service Armor Protected Vehicles
DoD	D2007-D000FB-0198.000	6/19/2007	Funds Appropriated for Afghanistan and Iraq Processed Through the Foreign Military Trust Fund
DoD	D2007-D000CK-0201.000	6/18/2007	Operations and Maintenance Funds Used for Global War on Terror Military Construction Contracts
DoD	D2007-DINT01-0092.001	6/14/2007	Review of Intelligence Resources at the Joint Intelligence Task Force Combating Terrorism and Special Operations Command in Support of Operation Enduring Freedom and Operation Iraqi Freedom
DoD	2007C003	6/13/2007	Review of Circumstances Surrounding the Death of a Reuters Employee in Iraq
DoD	D2007-D000LD-0129.000	4/13/2007	Marine Corps' Management of the Recovery and Reset Programs
DoD	D2007-D000FD-0145.000	3/5/2007	Internal Controls over Air Force General Funds Cash and Other Monetary Assets
DoD	D2007-D000FN-0142.000	2/27/2007	Internal Controls over Navy General Fund, Cash, and Other Monetary Assets Held Outside the Continental United States
DoD	D2007-D000LH-0108.000	1/5/2007	DoD Training for U.S. Ground Forces Supporting Operation Iraqi Freedom
DoD	D2007-D000LC-0051.000	12/14/2006	Hiring Practices Used To Staff the Iraqi Provisional Authorities
DoD	D2006-D000AE-0241.000	8/4/2006	DoD Use of GWOT Supplemental Funding Provided for Procurement and Research, Development, Test and Evaluation
DoD	D2006-DIP0E2-0137	7/24/2006	DoD/Department of Veterans Affairs Inspectors General Interagency Care Transition Project
DoD	D2006-D000AE-0225.000	7/10/2006	Conditional Acceptance and Production of the Army Medium Tactical Vehicles in Support of the Global War on Terror
DoD	D2006-D000FL-0208.000	5/23/2006	Internal Controls Over Out-of-Country Payments
DoD	D2006-D000LG-0136.000	3/1/2006	Export Controls Over Excess Defense Articles
DoD	D2005-DINT01-0122	2/14/2005	U.S. Government's Relationship with the Iraqi National Congress
DoD	D2006-DIPOE3-0038	Not Reported	Reach Back Support to Inspectors General of the Iraqi Security Forces (ISF)

Ongoing Oversight Activities of Other U.S. Agencies, as of 3/31/2008

Agency	Project Number	Date Initiated	Project Description
DoS	07AUD3034	April 2007	Review of Procurement Competition: New Embassy Compound Baghdad
DoS	08AUD-3016	Not Reported	Joint Review of Blackwater Contract for Worldwide Personal Protective Services
DoS	08AUD30xx	Not Reported	Audit of Contract Administration, NEC Baghdad
DoS	08 MERO3002	Not Reported	Iraqi Special Immigrant Visa (SIV) Program
DoS	08 MERO3001	Not Reported	U.S. Refugee Admissions Program for Iraq
GAO	320587	March 2008	Status of Economic Support Funds for Iraq
GAO	N/A	March 2008	Progress in Achieving U.S. Goals in Iraq
GAO	120724	February 2008	Contracting in Iraq and Afghanistan
GAO	320572	January 2008	Staffing of Provincial Reconstruction Teams in Iraq and Afghanistan
GAO	351155	January 2008	Analysis of DoD's Fiscal Year 2008 Costs and Funding for Global War on Terrorism
GAO	320557	December 2007	Iraqi Security Forces and the Transfer of Security Responsibilities
GAO	N/A	November 2007	U.S. and International Assistance for Iraq Refugees and Internally Displaced Persons (IDPs)
GAO	351086	October 2007	DoD Plans for Unmanned Aircraft
GAO	351076	August 2007	Body Armor Programs and Testing
GAO	351083	August 2007	Use of Private Security Contractors in Iraq
GAO	351092	August 2007	Planning for Iraq Drawdown
GAO	N/A	August 2007	DoD Use of Individual Augmentees
GAO	351054	July 2007	Commander's Emergency Response Program
GAO	N/A	July 2007	U.S. Forces Rotation Readiness
GAO	351062	June 2007	Sexual Assault in DoD
GAO	120657	June 2007	Department of State's Use of Interagency Contracting
GAO	N/A	April 2007	Deployed Soldiers Medical Status
GAO	351016	March 2007	Joint IED Defeat Organization (JIEDDO) Processes to Coordinate Counter-Improvised Explosive Devices (IED) Intelligence Support
GAO	320461	October 2006	Efforts To Stabilize Iraq and Achieve Conditions To Allow the Drawdown of U.S. Troops
USAAA	A-2008-ALL-0318.00	3/17/2008	Audit of Army Corps of Engineers Contracting Functions in Iraq
USAAA	A-2008-ALL-0204.000	3/14/2008	Audit of Government Property Provided to Contractors – Kuwait Base Operations
USAAA	A-2007-ALL-0081	9/6/2007	Management of Shipping Containers in Southwest Asia
USAAA	A-2007-ALL-0887.003	8/5/2007	Audit of Joint Contracting Command-Afghanistan
USAAA	A-2007-ALL-0887.001	7/24/2007	Audit of Joint Contracting Command-Iraq
USAAA	A-2007-ALL-0212.001	1/27/2007	Audit of LOGCAP Operations in Support of OIF-Power Generators
USAAA	A-2007-ALL-0329	10/26/2006	Audit of U.S. Army Contracting Command Southwest Asia-Kuwait
USAAA	A-2006-ALL-0397	6/26/2006	Retrograde Operations in Southwest Asia
USAID	Not Reported	Not Reported	Audit of USAID/Iraq's Community Action Program
USAID	Not Reported	Not Reported	USAID/Iraq's Agribusiness Program
USAID	Not Reported	Not Reported	USAID/Iraq's National Capacity Development Program
USAID	Not Reported	Not Reported	Audit of USAID/Iraq's Marla Ruzicka War Victims Assistance Fund
USAID	Not Reported	Not Reported	Audit of USAID/Iraq's Management of its Official Vehicle Fleet
USAID	Not Reported	Not Reported	Audit of USAID/Iraq's Monitoring and Evaluation Performance Program

Source: DoD, response to SIGIR data call, April 7, 2008; DoS, response to SIGIR data call, April 4, 2008; GAO, response to SIGIR data call, April 8, 2008; USAAA, response to SIGIR data call, April 4, 2008; USAID, response to SIGIR data call, April 1, 2008.

Table 4.2

Status of Investigative Activities from Other U.S. Agencies, as of 3/31/2008

Agency	Investigators in Iraq	Investigators in Kuwait	Open/Ongoing Cases
U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit	6	4	102
Defense Criminal Investigative Service	2	2	110
Department of State Office of Inspector General	0	0	4
Federal Bureau of Investigation	2	1	64
U.S. Agency for International Development	2	0	12
Total	**12**	**7**	**292**

Table 4.3

ENDNOTES

1. The percentage increase is nearly 254%, using the prices provided by DoS/NEA—from the annual average price of $25.91 per barrel in 2003 to an average of $91.66 per barrel in the first quarter of 2008. NEA-I sourcing combines data from Bloomberg (for Basrah Light) and the U.S. Energy Information Administration (for Kirkuk crude). Source: NEA-I, response to SIGIR data call, April 12, 2008.

2. The DoS *Iraq Weekly Status Report*, of April 16, 2008, estimates $18.2 billion in oil revenues in the first quarter of 2008. The estimate of $70 billion is an annualization of this number, as of March 31, 2008.

3. European Parliament, www.europeparl.europa.eu/news.

4. General David H. Petraeus, Commander, Multi-National Force-Iraq; "Report to Congress on the Situation in Iraq;" April 8, 2008.

5. General David H. Petraeus, Commander, Multi-National Force-Iraq; "Report to Congress on the Situation in Iraq;" April 8, 2008.

6. General David H. Petraeus, Commander, Multi-National Force-Iraq; "Report to Congress on the Situation in Iraq;" April 8, 2008.

7. General David H. Petraeus, Commander, Multi-National Force-Iraq; "Report to Congress on the Situation in Iraq: Accompanying Charts," April 8, 2008.

8. MNSTC-I, response to SIGIR data call, April 12, 2008.

9. U.S. Embassy, response to SIGIR data call, April 3, 2008.

10. Az-Zaman News Agency, April 14, 2008.

11. DoD, transcript of a briefing by Brigadier General Jeffrey Hammond, April 14, 2008.

12. Committee To Protect Journalists, www.cpj.org.

13. On March 11, 2008, OMB reported these changes in response to a SIGIR data call:
    - CERP increased from $320 million to $370 million.
    - Migration and Refugee Assistance decreased from $195.4 million to $149.4 million.
    - ESF decreased from $14.95 million to $14.83 million.
    - $80 million was appropriated for International Disaster and Famine Assistance.
    - On April 18, 2008, OMB reported that $76 million was rescinded this quarter from FY 2007 ESF funding. DoS will shift $10 million of FY 2006 ESF money from GRD's ISP program to its PRDC program and cut $76 million of the FY 2007 ESF for the PRDC program.

    On April 16, 2008, OMB recommended removal of two accounts that were carried on SIGIR's table of appropriations for Iraq reconstruction:
    - Diplomatic and Consular Program appropriations, totaling $856.57 million
    - New Iraqi Army appropriations, totaling $210 million

    The net effect of these actions was to revise downward by $1.06 billion the total U.S. appropriations for Iraq relief and reconstruction—to $46.3 billion from the $47.36 billion reported in the January 30, 2008 *Quarterly and Semiannual Report to the Congress.*

14. For example, the second IRRF appropriation, Public Law 108-106, 117 Stat. 1209, 1225, contained statutory allocations for purposes such as security and law enforcement, justice, public safety infrastructure and civil society, democracy-building activities, electric sector, transportation, telecommunications, roads, bridges, construction, health care, education, human rights, and governance.

15. Ambassador Ryan C. Crocker, "Testimony Before the Senate Armed Services Committee," April 8, 2008.

16. SIGIR, *Iraq Reconstruction: Lessons in Program and Project Management*, March 2007, p. 9.

17. OMB, response to SIGIR data call, April 16, 2008.

18. ITAO, response to SIGIR data call, April 3, 2008.

19. GRD, response to SIGIR data call, April 5, 2008.

20. This figure includes audits reported to SIGIR by other agencies as of March 31, 2008, and SIGIR's audit count as of April 30, 2008.

21. SIGIR Report 08-011, "Outcome, Cost, and Oversight of Electricity-Sector Reconstruction Contract with Perini Corporation," April 2008.

22. SIGIR, "Statement of Stuart W. Bowen, Jr. before the U.S. Senate Committee on Appropriations: The Effectiveness of U.S. Efforts to Combat Corruption, Waste, Fraud, and Abuse in Iraq," March 11, 2008.

23. SIGIR, "Statement of Stuart W. Bowen, Jr. before the U.S. Senate Committee on Appropriations: The Effectiveness of U.S. Efforts to Combat Corruption, Waste, Fraud, and Abuse in Iraq," March 11, 2008.

24. SIGIR, "Statement of Stuart W. Bowen, Jr. before the U.S. Senate Committee on Appropriations: The Effectiveness of U.S. Efforts to Combat Corruption, Waste, Fraud, and Abuse in Iraq," March 11, 2008.

25. SIGIR, *Quarterly Report to the United States Congress*, October 2006, Appendix J, p. J-1.

26. SIGIR, "Statement of Stuart W. Bowen, Jr. before the U.S. Senate Committee on Appropriations: The Effectiveness of U.S. Efforts to Combat Corruption, Waste, Fraud, and Abuse in Iraq," March 11, 2008.

27. SIGIR, "Statement of Stuart W. Bowen, Jr. before the U.S. Senate Committee on Appropriations: The Effectiveness of U.S. Efforts to Combat Corruption, Waste, Fraud, and Abuse in Iraq," March 11, 2008.

28. JCC-I/A, response to SIGIR data call, January 4, 2008.

29. GAO Report 08-568T, "Stabilizing and Rebuilding Iraq: Actions Needed to Address Inadequate Accountability over U.S. Efforts and Investments," March 11, 2008.

30. SIGIR, "Statement of Stuart W. Bowen, Jr. before the U.S. Senate Committee on Appropriations: The Effectiveness of U.S. Efforts to Combat Corruption, Waste, Fraud, and Abuse in Iraq," March 11, 2008.

31. SIGIR Audit 08-017, "Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made but Further Improvements Needed To Avoid Waste," April 2008.

32. SIGIR Report 06-045, "Status of Ministerial Capacity Development in Iraq," January 30, 2007.

33. SIGIR Report 08-017, "Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made But Further Improvements Needed to Avoid Waste," April 2008.

34. SIGIR, "Statement of Stuart W. Bowen, Jr. before the U.S. Senate Committee on Appropriations: The Effectiveness of U.S. Efforts to Combat Corruption, Waste, Fraud, and Abuse in Iraq," March 11, 2008.

35. SIGIR Report 08-016, "U.S. Anticorruption Efforts in Iraq: Progress Made in Implementing Revised Management Plan," April 2008.

36. SIGIR, "Testimony of Stuart W. Bowen, Jr. before the House Committee on Oversight and Government Reform: Assessing the State of Iraqi Corruption," October 2007.

37. SIGIR, "Statement of Stuart W. Bowen, Jr. before the U.S. Senate Committee on Appropriations: The Effectiveness of U.S. Efforts to Combat Corruption, Waste, Fraud, and Abuse in Iraq," March 11, 2008.

38. MNF-I, response to SIGIR data call, April 5, 2008.

39. CEFMS, April 4, 2008; USAID, *Activities Report*, April 14, 2008. This figure only includes GRD and USAID contract line items. For some lines items, there are no contractor names, however these contracts are included in the total.

40. SIGIR Report 08-013, "Interim Report on Iraq Reconstruction Contract Terminations," April 2008.

41. SIGIR, "Statement of Stuart W. Bowen, Jr. before the U.S. Senate Committee on Appropriations: The Effectiveness of U.S. Efforts to Combat Corruption, Waste, Fraud, and Abuse in Iraq," March 11, 2008.

42. Ambassador Ryan C. Crocker, "Testimony Before the Senate Armed Services Committee," April 8, 2008.

43. SIGIR Report 07-015, "Effectiveness of the Provincial Reconstruction Team Program in Iraq," October 18, 2007.

44. U.S. House Armed Services Committee, "Agency Stovepipes vs. Strategic Agility: Lessons We Need to Learn from Provincial Reconstruction Teams in Iraq and Afghanistan," April 2008, http://armedservices.house.gov/pdfs/Reports/PRT_Report.pdf.

45. The term "reconstruction" encompasses a broad range of programs and operations beyond brick-and-mortar rebuilding that are funded by these appropriations. In addition to specific oversight of the IRRF, ISFF, and CERP, SIGIR's expanded oversight mandate includes funds appropriated "for the assistance for the reconstruction of Iraq" under the ESF, INL, or "any other provision of law." P.L. 108-106 (as amended), Section 3001(m).

46. DoS, "Rebuilding Iraq: U.S. Achievements through the Iraq Relief and Reconstruction Fund," February 2006, www.state.gov/p/nea/rls/rpt/60857.htm.

47. P.L. 108-11, "Emergency Wartime Supplemental Appropriations Act, 2003," April 16, 2003.

48. USAID, response to SIGIR data call, April 8, 2008; GRD, response to SIGIR data call, April 2, 2008; U.S. Treasury, response to SIGIR data call, April 3, 2008; USTDA, response to SIGIR data call, April 3, 2008; DoS, response to SIGIR data call, April 5, 2007; WHS, response to SIGIR data call, April 1, 2008; DFAS, response to SIGIR data call, April 10, 2008.

49. USAID, response to SIGIR data call, April 14, 2008.

50. USAID, response to SIGIR data call, April 8, 2008; GRD, response to SIGIR data call, April 2, 2008; U.S. Treasury, response to SIGIR data call, April 3, 2008; USTDA, response to SIGIR data call, April 3, 2008; DoS, response to SIGIR data call, April 5, 2007; WHS, response to SIGIR data call, April 1, 2008; DFAS, response to SIGIR data call, April 10, 2008.

51. GRD, response to SIGIR data call, March 20, 2008.

52. USAID, response to SIGIR data call, April 8, 2008; GRD, response to SIGIR data call, April 2, 2008; U.S. Treasury, response to SIGIR data call, April 3, 2008; USTDA, response to SIGIR data call, April 3, 2008; DoS, response to SIGIR data call, April 5, 2007; WHS, response to SIGIR data call, April 1, 2008; DFAS, response to SIGIR data call, April 10, 2008.

53. DoS, *Section 2207 Report*, January 2004; DoS, *Section 2207 Report*, January 2008.

54. USAID, response to SIGIR data call, April 8, 2008; GRD, response to SIGIR data call, April 2, 2008; U.S. Treasury, response to SIGIR data call, April 3, 2008; USTDA, response to SIGIR data call, April 3, 2008; DoS, response to SIGIR data call, April 5, 2007; WHS, response to SIGIR data call, April 1, 2008; DFAS response to SIGIR data call, April 10, 2008.

55. USTDA, response to SIGIR data call, April 3, 2008.

56. P.L. 108-106, "Emergency Supplemental Appropriations Act for Defense and for the Reconstruction of Iraq and Afghanistan," November 6, 2003.

57. DoS, *Iraq Weekly Status Report*, April 2, 2008, slide 25.

58. ITAO, response to SIGIR data call, April 3, 2008. Note: Using the April 2, 2008, DoS *Weekly Status Report*, the unobligated amount was $526 million.

59. DoS, *Section 2207 Report*, January 2004; DoS, *Section 2207 Report*, January 2008.

60. DoS, *Section 2207 Report*, January 2004; DoS, *Section 2207 Report*, January 2008.

61. SIGIR Audit 06-023, "Changes in Iraq Relief and Reconstruction Fund Program Activities January through March 2006," July 28, 2006, pp. 3-4.

62. DoS, *Iraq Weekly Status Report*, April 2, 2007.

63. DoS, *Iraq Weekly Status Report*, April 2, 2008, slide 25.

64. GRD, *Bi-Weekly Directorate SITREP*, March 31, 2008.

65. GRD, *Bi-Weekly Directorate SITREP*, March 31, 2008.

66. DoS, *Iraq Weekly Status Report*, April 2, 2008, slide 25.

67. SIGIR Audit 08-017, "Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made but Further Improvements Needed To Avoid Waste," April 2008.

68. SIGIR Audit 08-017, "Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made but Further Improvements Needed To Avoid Waste," April 2008.

69. U.S. Congress, "Emergency Supplemental Appropriations Act for Defense, the Global War on Terror, and Tsunami Relief (P.L. 109-13)," May 11, 2005.

70. MNSTC-I, response to SIGIR data call, April 17, 2008.

71. MNSTC-I, response to SIGIR data call, April 12, 2008.

72. OMB, *Section 3303 Report to Congress*, March 19, 2008.

73. OMB, *Section 3303 Report to Congress*, March 19, 2008.

74. DoD, "Revised Spend Plan for the FY 2007: ISFF," April 3, 2008, pp. 4-5.

75. DoD, "Revised Spend Plan for the FY 2007: ISFF," April 3, 2008, pp. 7-8.

76. MNSTC-I, response to SIGIR data call, April 12, 2008.

77. MNSTC-I, response to SIGIR data call, April 12, 2008.

78. MNSTC-I, response to SIGIR data call, April 12, 2008.

79. MNSTC-I, response to SIGIR data call, April 17, 2008.

80. SIGIR is using MNSTC-I's classification of these topics as sub-activity groups.

81. MNSTC-I, response to SIGIR data call, April 17, 2008.

82. The ESF program also has a program called the Quick Response Fund. This program differs from the ISFF's Quick Response Fund, which primarily supports projects for the ISF.

83. Lift and Sustain refers to ISFF funding that goes toward supporting Iraq's counterinsurgency efforts, including food, fuel, and other logistical support services.

84. DoD, *Measuring Security and Stability in Iraq,* March 2008, p. 31.

85. MNSTC-I, response to SIGIR data call, April 17, 2008.

86. MNSTC-I, response to SIGIR data call, April 12, 2008.

87. MNF-I, response to SIGIR data call, April 12, 2008.

88. MNSTC-I, response to SIGIR data call, April 17, 2008.

89. MNSTC-I, response to SIGIR data call, April 12, 2008.

90. MNSTC-I, response to SIGIR data call, April 12, 2008.

91. MNSTC-I, response to SIGIR data call, April 12, 2008.

92. MNF-I, response to SIGIR data call, April 12, 2008.

93. MNSTC-I, response to SIGIR data call, April 12, 2008.

94. MNSTC-I, response to SIGIR data call, April 12, 2008.

95. MNSTC-I, response to SIGIR data call, April 17, 2008.

96. MNSTC-I, response to SIGIR data call, April 12, 2008.

97. SIGIR included three contracts without a contractor name.

98. Percentages were based on an obligation total of $11.23 billion.

99. MNSTC-I, response to SIGIR data call, April 12, 2008.

100. U.S. Treasury, "Ministry of Finance Capital Report through November 30, 2007," response to SIGIR data call, April 3, 2008.

101. MNSTC-I, response to SIGIR, April 12, 2008. Also, see Coalition Army Advisory Training Team-Iraq (CAATT), *Command Brief*, April 1, 2008, and the Directorate of Interior Affairs-Iraq (DoIA) *Command Brief*, March 2008. DoIA also noted with respect to budget and contracting, "The ongoing challenges are systems connectivity, data collection, reporting and transparency of all financial and contracting systems. Most importantly, the leadership in the Finance Department is inexperienced, overly cautious, and not yet fully effective."

102. MNSTC-I, response to SIGIR data call, April 12, 2008.

103. MNSTC-I, response to SIGIR data call, April 12, 2008.

104. Coalition Army Advisory Training Team (CAATT), *Command Brief*, April 1, 2008, slide 56.

105. MNSTC-I, response to SIGIR data call, April 12, 2008.

106. MNSTC-I, response to SIGIR data call, April 12, 2008.

107. Defense Security Cooperation Agency, "Foreign Military Sales," April 15, 2008, www.dsca.osd.mil/home/foreign_military_sales.htm.

108. GAO, "Statement of Joseph A. Christoff before the Committee on Armed Services, Subcommittee on Oversight and Investigations on Stabilizing Iraq: Preliminary Observations on Budget and Management Challenges of Iraq's Security Ministries," March 22, 2007, p. 3.

109. MNSTC-I, response to SIGIR data call, April 12, 2008.

110. General David H. Petraeus, Commander, Multi-National Force-Iraq; "Report to Congress on the Situation in Iraq," April 8, 2008.

111. MNSTC-I, response to SIGIR data call, April 12, 2008.

112. CSIS, "The Report of the Independent Commission on the Security Forces of Iraq," September 6, 2007, p. 50; MNSTC-I, response to SIGIR data call, April 12, 2008.

113. MNSTC-I, response to SIGIR data call, April 12, 2008.

114. MNSTC-I, response to SIGIR data call, April 12, 2008.

115. MNSTC-I, response to SIGIR data call, April 12, 2008.

116. MNSTC-I, response to SIGIR data call, April 12, 2008.

117. To provide consistency in the terminology used to discuss U.S. funds, SIGIR considers ESF "obligations" for interagency agreements as funds "committed." SIGIR views funds that have been actually awarded under contracts as "obligated." For a cross-reference of budget terminology among U.S. agencies and funds, see Appendix C.

118. OMB, response to SIGIR data call, April 18, 2008.

119. ITAO was allocated $475 million in FY 2007 Supplemental funds for the PRDC program; $385 million was allocated to GRD for execution of the program. On April 18, 2008, OMB reported that the $76 million rescinded this quarter was taken from FY 2007 ESF funding. DoS will shift $10 million of FY 2006 ESF money from GRD's ISP program to GRD's PRDC program and cut $76 million of the FY 2007 ESF for the PRDC program. This rescission is not accounted for in this table because GRD is awaiting a modification to an agreement to reduce its allocated amount. Source: OMB, response to SIGIR data call, April 18, 2008.

120. ITAO, response to SIGIR data call, October 8, 2007.

121. USAID, "USAID Budget: Economic Support Fund," June 2, 2006, www.usaid.gov/policy/budget/cbj2007/an/esf.html.

122. SIGIR, "Fact Sheet on Sources and Uses of U.S. Funding Provided in Fiscal Year 2006 for Iraq Relief and Reconstruction," July 27, 2007, p. 42.

123. SIGIR, "Fact Sheet on Sources and Uses of U.S. Funding Provided in Fiscal Year 2006 for Iraq Relief and Reconstruction," July 27, 2007, p. 14.

124. GRD, response to SIGIR data call, April 15, 2008.

125. SIGIR Report 08-017, "Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made But Further Improvements Needed to Avoid Waste," April 2008.

126. U.S. Embassy, "Fact Sheet on Provincial Reconstruction Teams (PRTs)," December 17, 2007, www.iraq.usembassy.gov.

127. U.S. Embassy, "Fact Sheet on Provincial Reconstruction Teams (PRTs)," December 17, 2007, www.iraq.usembassy.gov.

128. NEA-I, response to SIGIR data call, April 15, 2008.

129. U.S. Embassy, "Fact Sheet on Provincial Reconstruction Teams (PRTs)," January 22, 2008, www.iraq.usembassy.gov.

130. SIGIR analysis of OPA data, as of March 6, 2008.

131. NEA-I, response to SIGIR data call, April 15, 2008.

132. OSD-Policy, response to SIGIR data call, April 15, 2008.

133. OPA, response to SIGIR data call, April 21, 2008.

134. SIGIR analysis of OPA data, March 6, 2008.

135. USIP, "Embedded Provincial Reconstruction Teams," March 2008.

136. USIP, "Embedded Provincial Reconstruction Teams," March 2008.

137. USIP, "Embedded Provincial Reconstruction Teams," March 2008.

138. GRD noted that ITAO received $475 million in FY 2007 Supplemental funds for the PRT/PRDC program. ITAO allocated $385 million of this amount to GRD for this program. OMB reported that the entire $76 million rescission was from FY 2007 ESF funding. DoS will shift $10 million of FY 2006 ESF money from the GRD's ISP to the GRD's PRDC program and cut $76 million of the FY 2007 ESF from the PRDC program. Sources: GRD, response to SIGIR data call, April 7, 2008; OMB, response to SIGIR data call, April 18, 2008.

139. ITAO, response to SIGIR data call, April 3, 2008.

140. GRD, response to SIGIR data call, April 5, 2008.

141. GRD, response to SIGIR data call, April 5, 2008.

142. GRD, response to SIGIR data call, April 5, 2008.

143. GRD, response to SIGIR data call, April 5, 2008.

144. GRD, response to SIGIR data call, April 5, 2008.

145. GRD, response to SIGIR data call, April 5, 2008.

146. GRD, response to SIGIR data call, April 5, 2008.

147. ISFF funds a similar quick-impact program. In June 2004, the Iraqi Security Forces Quick Response Program (QRP) was created to give the multinational security forces the ability to quickly respond to relatively small, emerging, and time-sensitive requirements of the Iraqi Security Forces. The program was initially funded from the IRRF. Although QRP funding provided under the IRRF has been spent, it has continued with the use of ISFF funds. The program funding is known as the Quick Response Fund (QRF) I & II. This program is separate from the new ESF-funded QRF program supporting PRTs. Source: U.S. Army, "Quick Response Fund (QRF)," May 20, 2006, www.jagcnet.army.mil.

148. NEA-I, response to SIGIR data call, April 15, 2008.

149. NEA-I, response to SIGIR data call, April 15, 2008.

150. USAID, response to SIGIR data call, April 14, 2008.

151. DoS, *Section 2207 Report,* January 2008, p. III-3.

152. USAID, response to SIGIR data call, April 14, 2008.

153. USAID, response to SIGIR data call, April 14, 2008.

154. DoS, *Section 2207 Report,* January 2008.

155. ITAO, *Essential Indicators Report*, February 14, 2008.

156. Local Governance Program, "About LGP," April 1, 2008, www.lgp-iraq.org.

157. DoS, *Section 2207 Report,* January 2008, p. III-3.

158. USAID, response to SIGIR data call, April 14, 2008.

159. USAID, response to SIGIR data call, April 14, 2008.

160. USAID, response to SIGIR data call, April 14, 2008.

161. Local Governance Program, *Recent News*, February 21, 2008, www.lgp-iraq.org.

162. Local Governance Program, *Recent News*, February 21, 2008, www.lgp-iraq.org.

163. Local Governance Program, *Recent News*, February 21, 2008, www.lgp-iraq.org.

164. Local Governance Program, *Recent News*, February 21, 2008, www.lgp-iraq.org.

165. DoS, *Section 2207 Report,* January 2008, p. III-9.

166. DoS, *Section 2207 Report,* January 2008, p. III-9.

167. DoS, *Section 2207 Report,* January 2008, p. III-9.

168. DoS, *Section 2207 Report,* January 2008, p. III-9.

169. USAID, response to SIGIR data call, April 14, 2008.

170. USAID, response to SIGIR data call, April 14, 2008.

171. ITAO, Responjse to SIGIR data call, April 3, 2008.

172. U.S. Embassy, "Staff notice 007-284: The Targeted Development Program," December 1, 2007.

173. ITAO, response to SIGIR data call, April 3, 2008.

174. ITAO, response to SIGIR data call, April 3, 2008.

175. USAID, response to SIGIR data call, April 14, 2008.

176. USAID, response to SIGIR data call, April 16, 2008.

177. USAID, "USAID Awards Community Stabilization Program in Iraq," August 11, 2006.

178. USAID, responses to SIGIR data call, April 14, 2008, and April 16, 2008.

179. USAID, response to SIGIR data call, April 14, 2008.

180. USAID, response to SIGIR data call, April 14, 2008.

181. USAID OIG Audit E-267-08-001-P, "Audit of USAID/Iraq's Community Stabilization Program," March 18, 2008, p. 6.

182. USAID OIG Audit E-267-08-001-P, "Audit of USAID/Iraq's Community Stabilization Program," March 18, 2008, p. 1.

183. In May 2005, the Marla Ruzicka Iraqi War Victims Fund was created in honor of Marla Ruzicka, an American woman dedicated to helping noncombatant victims in the U.S.-led wars in Afghanistan and Iraq.

184. USAID, response to SIGIR data call, April 14, 2008.

185. USAID OIG Report No. E-267-08-002-P, "Audit of USAID/Iraq's Management of the Marla Ruzicka Iraqi War Victims Fund," April 3, 2008.

186. USAID OIG Report No. E-267-08-002-P, "Audit of USAID/Iraq's Management of the Marla Ruzicka Iraqi War Victims Fund," April 3, 2008.

187. GRD, response to SIGIR data call, April 5, 2008.

188. ITAO, response to SIGIR data call, April 5, 2008.

189. SIGIR, "Statement of Stuart W. Bowen, Jr., before the U.S. Senate Committee on Appropriations: The Effectiveness of U.S. Efforts to Combat Corruption, Waste, Fraud, and Abuse in Iraq," March 11, 2008.

190. SIGIR, "Statement of Stuart W. Bowen, Jr., before the U.S. Senate Committee on Appropriations: The Effectiveness of U.S. Efforts to Combat Corruption, Waste, Fraud, and Abuse in Iraq," March 11, 2008.

191. MNC-I, response to SIGIR data call, April 10, 2008.

192. IRMS, *MNC-I Quarterly Report*, March 30, 2008.

193. MNC-I, *Money as a Weapon System*, June 2007, p. 9.

194. MNC-I, *Money as a Weapon System*, June 2007, Appendix C.

195. MNC-I, *Money as a Weapon System,* June 2007, p. C4.

196. SIGIR Audit 08-006, "Commander's Emergency Response Program in Iraq Funds Many Large-Scale Projects," January 25, 2008.

197. MNC-I, *Money as a Weapon System*, June 2007, Appendix C.

198. MNF-I, response to SIGIR data call, April 9, 2008.

199. MNF-I, response to SIGIR data call, April 9, 2008.

200. MNF-I, response to SIGIR data call, April 10, 2008.

201. IRMS, *MNC-I Quarterly Report*, March 30, 2008.

202. IRMS, *MNC-I Quarterly Report*, March 30, 2008.

203. Calculations based on query of IRMS, *MNC-I Quarterly Report,* March 30, 2008, of CERP projects with start dates in each year.

204. IRMS, *MNC-I Quarterly Report*, March 30, 2008.

205. Calculations based on query of IRMS, *MNC-I Quarterly Report,* March 30, 2008, of all CERP projects with obligations greater than or equal to $500,000.

206. IRMS, *MNC-I Quarterly Report*, March 30, 2008.

207. MNC-I, *Money as a Weapon System*, June 2007, p. 11.

208. SIGIR Audit 07-015, "Review of the Effectiveness of the Provincial Reconstruction Team Program in Iraq," October 18, 2007.

209. IRMS, *MNC-I Quarterly Report*, March 30, 2008.

210. MNC-I, response to SIGIR data call, April 10, 2008.

211. IRMS, *MNC-I Quarterly Report*, March 30, 2008.

212. IRMS, *MNC-I Quarterly Report*, March 30, 2008.

213. Project MIPR4I61090398 anticipated to be completed in April 2008. Source: MNC-I, response to SIGIR data call, April 10, 2008.

214. Project MIPRMNDB7B0180 is anticipated to be completed in April 2008. Source: MNC-I, response to SIGIR data call, April 10, 2008.

215. SIGIR Audit 08-006, "Commander's Emergency Response Program in Iraq Funds Many Large-Scale Projects," January 25, 2008.

216. MNC-I, response to SIGIR data call, April 10, 2008.

217. SIGIR Audit 08-006, "Commander's Emergency Response Program in Iraq Funds Many Large-Scale Projects," January 25, 2008.

218. SIGIR Audit 08-006, "Commander's Emergency Response Program in Iraq Funds Many Large-Scale Projects," January 25, 2008.

219. SIGIR Audit 08-006, "Commander's Emergency Response Program in Iraq Funds Many Large-Scale Projects," January 25, 2008.

220. MNC-I, response to SIGIR data call, April 10, 2008.

221. SIGIR Audit 08-006, "Commander's Emergency Response Program in Iraq Funds Many Large-Scale Projects," January 25, 2008.

222. MNC-I, response to SIGIR data call, April 10, 2008.

223. MNC-I, response to SIGIR data call, April 10, 2008.

224. SIGIR Report 08-017, "Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made But Further Improvements Needed to Avoid Waste," April 2008.

225. SIGIR Report 08-017, "Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made But Further Improvements Needed to Avoid Waste," April 2008.

226. SIGIR Report 08-017, "Transferring Reconstruction Projects to the Government of Iraq: Some Progress Made But Further Improvements Needed to Avoid Waste," April 2008.

227. MNC-I, response to SIGIR data call, April 10, 2008.

228. MNC-I, response to SIGIR data call, April 10, 2008.

229. MNC-I, response to SIGIR data call, April 10, 2008.

230. MNC-I, response to SIGIR data call, April 10, 2008.

231. GRD, "Iraq Reconstruction-U.S. Army Corps of Engineers Completes Fourth Year," January 24, 2008, www.grd.usace.army.mil.

232. GRD, *Bi-Weekly Directorate SITREP*, March 18, 2008–March 31, 2008.

233. IRMS, *MNC-I Quarterly Report*, March 30, 2008.

234. GRD, *Bi-Weekly Directorate SITREP*, March 18, 2008–March 31, 2008.

235. GRD, "Iraq Reconstruction-U.S. Army Corps of Engineers Completes Fourth Year," January 24, 2008, www.grd.usace.army.mil.

236. GRD, "Iraq Reconstruction-U.S. Army Corps of Engineers Completes Fourth Year," January 24, 2008, www.grd.usace.army.mil.

237. MNF-I, response to SIGIR data call, April 7, 2008.

238. SIGIR Audit 08-006, "Commander's Emergency Response Program in Iraq Funds Many Large-Scale Projects," January 25, 2008.

239. SIGIR Inspection PA-08-120, "Sarwaran Primary School," April 1, 2008.

240. SIGIR Inspection PA-08-121, "Binaslawa Middle School," March 27, 2008.

241. SIGIR Inspection PA-07-118.1, "Repair of the Al Ghazaliyah G-6 Sewage Lift Station," April 7, 2008.

242. SIGIR Inspection PA-08-119, "Refurbishment of the Kurdistan Regional Government Ministry of Interior Complex," April 4, 2008.

243. MAAWS defines "disadvantaged entrepreneur" as one lacking independent wealth.

244. See "Department of Defense Bloggers Roundtable with Lieutenant Colonel David Kennedy Commander, 2-3 Brigade Troops Battalion, 2nd Brigade Combat Team, 3rd Infantry Division via Teleconference From Iraq," December 14, 2007; and "Briefing On Reconstruction Progress in Salah al-Din, Special Briefing Washington, D.C.," November 30, 2007.

245. MNC-I, *Money as a Weapon System*, June 2007, Appendix C.

246. MNC-I, *Money as a Weapon System*, June 2007.

247. USAID Representative, Briefing on Reconstruction Progress in Salah al-Din, Special Briefing Washington, D.C., November 30, 2007, http://statedepartmentwatcher.blogspot.com/2007/11/briefing-on-reconstruction-progress-in_30.html

248. INL, "International Narcotics and Law Enforcement: FY 2007 Budget Justification," April 2006, www.state.gov/p/inl/rls/rpt/cbj/fy2007/71876.htm.

249. Numbers are affected by rounding.

250. INL, response to SIGIR data call, April 3, 2008.

251. INL, response to SIGIR data call, April 3, 2008.

252. INL, response to SIGIR data call, April 3, 2008.

253. INL, response to SIGIR data call, April 15, 2008.

254. INL, response to SIGIR data call, April 3, 2008.

255. INL, response to SIGIR data call, April 15, 2008.

256. INL, response to SIGIR data call, April 15, 2008.

257. INL, response to SIGIR data call, April 3, 2008.

258. INL, response to SIGIR data call, April 3, 2008.

259. DoS, "Civilian Police and Rule of Law Programs," January 31, 2008, www.state.gov/p/inl/rls/fs/99888.htm.

260. INL, response to SIGIR data call, April 3, 2008.

261. SIGIR Audit 07-016, "Interim Review of DynCorp International, LLC, Spending Under Its Contract for the Iraqi Police Training Program," October 23, 2007.

262. SIGIR 08-014, "Progress on Recommended Improvements to Contract Administration for the Iraqi Police Training Program," April 8, 2008.

263. SIGIR 08-014, "Progress on Recommended Improvements to Contract Administration for the Iraqi Police Training Program," April 8, 2008.

264. DoS, "Civilian Police and Rule of Law Programs," January 31, 2008, www.state.gov/p/inl/rls/fs/99888.htm.

265. INL, response to SIGIR data call, April 3, 2008.

266. INL, response to SIGIR data call, April 3, 2008.

267. Justice Attaché, response to SIGIR data call, April 3, 2008.

268. INL, response to SIGIR data call, April 3, 2008.

269. Justice Attaché, response to SIGIR data call, April 3, 2008.
270. INL, response to SIGIR data call, April 15, 2008.
271. INL, response to SIGIR data call, April 3, 2008.
272. INL, response to SIGIR data call, April 15, 2008.
273. INL, response to SIGIR data call, April 3, 2008.
274. INL, response to SIGIR data call, April 9, 2008.
275. INL, response to SIGIR data call, April 9, 2008.
276. INL, response to SIGIR data call, April 3, 2008.
277. INL, response to SIGIR data call, April 3, 2008.
278. INL, response to SIGIR data call, April 3, 2008.
279. INL, response to SIGIR data call, April 9, 2008.
280. GRD, *Bi-Weekly Directorate SITREP*, March 31, 2008, p. 8; GRD, *Monthly Project Management*, February 2008, p. 6.
281. INL, response to SIGIR data call, April 3, 2008.
282. INL, response to SIGIR data call, April 3, 2008.
283. INL, response to SIGIR data call, April 3, 2008.
284. SIGIR Inspection 08-131, "Follow-up on the Nassriya Prison Facility," April 4, 2008.
285. GRD, *Bi-Weekly Directorate SITREP*, February 2008.
286. INL, response to SIGIR data call, April 3, 2008.
287. Allocation detail for ISFF funding is unavailable this quarter; therefore, ISFF figures are calculated using dollars obligated.
288. MNC-I, response to SIGIR data call, April 9, 2008. Note: SIGIR compiled the security amount by combining obligated totals for Battle Damage, Law & Governance, Civic Infrastructure Repair, Condolence Payments, Protective Measures, and Detainee Release Payments.
289. ITAO, response to SIGIR data call, January 4, 2008; GRD, response to SIGIR data call, April 3, 2008; USAID, response to SIGIR data call, April 14, 2008; ITAO, *Essential Indicators Report*, March 27, 2008; OMB, response to SIGIR data call, January 2, 2008.
290. DoS, *Iraq Weekly Status Report*, March 26, 2008. Note: SIGIR calculated the security amount by combining allocated totals for Security and Law Enforcement, and Justice, Public Safety, and Civil Society.
291. White House, "The New Way Forward," January 2007, slide 11, www.whitehouse.gov.
292. DoD, *Measuring Security and Stability in Iraq,* March 2008, p. 17.
293. DoD, *Measuring Security and Stability in Iraq,* March 2008, p. 17; General David H. Petraeus; Commander, Multi-National Force-Iraq; "Report to Congress on the Situation in Iraq;" April 8, 2008.
294. The Mahdi Militia is headed by Shiite Cleric Muqtada al-Sadr. In this context, the decline in violence was due, in part, to Sadr's call for a ceasefire in August 2007.
295. The Anbar Awakening refers to a collective push by Sunni tribes and communities against al-Qaeda. It was primarily focused in Anbar province and is also known as the Sunni Awakening.
296. General David H. Petraeus; Commander, Multi-National Force-Iraq; "Report to Congress on the Situation in Iraq;" April 8, 2008.
297. DoD, *Measuring Security and Stability in Iraq,* March 2008, p. 30.
298. President George W. Bush, S*tate of the Union Address,* January 28, 2008, www.whitehouse.gov.
299. General David H. Petraeus; Commander, Multi-National Force-Iraq; "Report to Congress on the Situation in Iraq;" April 8, 2008; p. 5.
300. General David H. Petraeus; Commander, Multi-National Force-Iraq; "Report to Congress on the Situation in Iraq;" April 8, 2008; p. 6.
301. MNSTC-I, response to SIGIR data call, April 12, 2008.
302. General David H. Petraeus; Commander, Multi-National Force-Iraq; "Report to Congress on the Situation in Iraq;" April 8, 2008; p. 6.
303. ORAs were formally known as Transitional Readiness Assessments (TRAs).
304. MNSTC-I, response to SIGIR data call, April 12, 2008.
305. MNSTC-I, response to SIGIR data call, April 12, 2008.
306. DoD, *Measuring Security and Stability in Iraq,* March 2008, p. 31.
307. DoD, response to SIGIR auditors, April 2, 2008.
308. MNSTC-I, response to SIGIR data call, April 12, 2008.
309. The ICTF authorization figure was revised from 4,857 to 4,733 due to an accounting error. Source: MNSTC-I, response to SIGIR data call, April 12, 2008.
310. MNSTC-I, response to SIGIR data call, April 12, 2008.
311. DoS, *Iraq Weekly Status Report*, January 9, 2008, and February 6, 2008.

312. SIGIR Audit 08-015, "Interim Analysis of Iraqi Security Force Information Provided by the Department of Defense Report *Measuring Stability and Security in Iraq*," April 8, 2008.

313. DoD, *Measuring Security and Stability in Iraq,* March 2008, p. 31.

314. GAO, "Testimony of David M. Walker before the Subcommittee on Defense, Committee on Appropriations, House of Representatives. Stabilizing and Rebuilding Iraq: Conditions in Iraq Are Conducive to Fraud, Waste, and Abuse," April 23, 2007, p. 8.

315. MNSTC-I, response to SIGIR data call, April 12, 2008.

316. MNSTC-I, response to SIGIR data call, April 12, 2008.

317. DoS, *Iraq Weekly Status Report*, April 9, 2008, slide 14.

318. MNSTC-I, response to SIGIR data call, April 12, 2008. MNSTC-I also notes that the IA COIN Force "should grow to 13 division headquarters, 52 brigades, and 179 combat battalions. Additionally, 14 location commands, 13 logistics battalions, and 13 motor transport regiments- aligned with an IA division- will complete force generation. The Navy plans to grow to 2 squadrons and a Marines Battalion. The Air Force plans to grow to 10 squadrons."

319. DoD, *Measuring Security and Stability in Iraq,* March 2008, pp. 48-49.

320. MNSTC-I, response to SIGIR data call, April 12, 2008.

321. MNSTC-I, response to SIGIR data call, April 12, 2008.

322. MNSTC-I, response to SIGIR data call, April 12, 2008.

323. MNSTC-I, response to SIGIR data call, April 12, 2008.

324. DoD, *Measuring Security and Stability in Iraq,* March 2008, pp. 48-49.

325. MNSTC-I, response to SIGIR data call, April 12, 2008.

326. DoD, *Measuring Security and Stability in Iraq,* March 2008, p. 31.

327. DoD, *Measuring Security and Stability in Iraq,* March 2008, p. 51.

328. DoD, *Measuring Security and Stability in Iraq,* March 2008, p. 51.

329. GAO Audit GAO-08-143R, "DOD Assessment of Iraqi Security Forces' Units as Independent Not Clear Because ISF Support Capabilities Are Not Fully Developed," November 30, 2007.

330. DoD, *Measuring Security and Stability in Iraq,* March 2008, p. 45.

331. MNSTC-I, response to SIGIR data call, April 12, 2008. Note: An additional 5 Australian soldiers also contribute to the effort.

332. MNSTC-I, response to SIGIR data call, April 12, 2008; DoD, *Measuring Security and Stability in Iraq,* March 2008, p. 50.

333. MNSTC-I, response to SIGIR data call, April 12, 2008; DoD, *Measuring Security and Stability in Iraq,* March 2008, p. 50.

334. DoS, *Iraq Weekly Status Report*, April 9, 2008, slide 14.

335. MNSTC-I, response to SIGIR data call, April 12, 2008. Note: The Coalition maintains supervision of Camp Dublin, which is where re-bluing of the National Police occurs.

336. CPATT, "CPATT Training," response to SIGIR data call, April 12, 2008.

337. MNSTC-I, response to SIGIR data call, April 12, 2008. MNSTC-I reported that the IPS "number and structure is dependent on the local security situation." The NP has "a concept to grow to 3 Divisions and 13 Brigades, including a Sustainment (logistics) Brigade. The DBE will ultimately consist of 17 land ports of entry, 7 airports, and 5 seaports. There will be a total of 684 border forts… 5 police custom regions, consisting of a total of 5 brigades and 46 battalions, with a separate coastguard/ inland waterways division."

338. MNSTC-I, response to SIGIR data call, April 12, 2008.

339. MNSTC-I, response to SIGIR data call, April 12, 2008.

340. MNSTC-I, response to SIGIR data call, April 12, 2008.

341. DoD, *Measuring Security and Stability in Iraq,* March 2008, p. 39.

342. MNSTC-I, response to SIGIR data call, April 12, 2008.

343. MNSTC-I, response to SIGIR data call, April 12, 2008. Note: The remaining advisors are filled by one advisor from the British military and one from the Danish military.

344. INL, response to SIGIR data call, April 3, 2008.

345. Re-bluing is a Coalition effort to retrain every National Police brigade for one month to improve the skills, organization, and professionalism of the force. Officers undergo instruction in democratic policing, COIN, and Carabinieri training.

346. MNSTC-I, response to SIGIR data call, April 12, 2008.

347. MNSTC-I, response to SIGIR data call, April 12, 2008.

348. MNSTC-I, response to SIGIR data call, April 12, 2008.

349. MNSTC-I, response to SIGIR data call, April 12, 2008.

350. MNSTC-I, response to SIGIR data call, April 12, 2008.

351. MNSTC-I, response to SIGIR data call, April 12, 2008.

352. MNSTC-I, response to SIGIR data call, April 12, 2008. Also see, Civilian Army Advisory Training Team-Iraq (CAATT) *Command Brief*, April 1, 2008 and the Directorate of Interior Affairs-Iraq (DoIA) *Command Brief*, March 2008.

353. SIGIR Audit 06-032, "Iraqi Security Forces: Review of Plans to Implement Logistics Capabilities," October 28, 2006.

354. GAO, "DOD Assessment of Iraqi Security Forces' Units as Independent Not Clear Because ISF Support Capabilities Are Not Fully Developed" (GAO-08-143R, November 30, 2007).

355. MNSTC-I, response to SIGIR data call, April 12, 2008.

356. GAO, "DOD Assessment of Iraqi Security Forces' Units as Independent Not Clear Because ISF Support Capabilities Are Not Fully Developed" (GAO-08-143R, November 30, 2007).

357. Coalition Army Advisory Training Team-Iraq (CAATT) *Command Brief*, April 1, 2008, slides 45-46.

358. For current manning levels and training schedules see Civilian Army Advisory Training Team-Iraq (CAATT) *Command Brief*, April 1, 2008, slides 30 and 33-36. IP authorized and training challenges are identified in the Directorate of Interior Affairs-Iraq (DoIA) *Command Brief*, March 2008. Both *Command Briefs* and the MNSTC-I, response to SIGIR data call, April 12, 2008, identify aggressive schedules to completing the basing/stationing requirements and the support infrastructure for existing and planned forces.

359. Coalition Army Advisory Training Team-Iraq (CAATT) *Command Brief*, April 1, 2008, slide 4 identifies "Get FMS in Front of Planned Force Generation" as "Planning On-Going" while "Fill(ing) FMS delivery gaps with ISFF-Funded Equipment" as a "Unilateral Coalition Action." Also see MoDI comments in MNSTC-I, response to SIGIR data call, April 12, 2008.

360. Directorate of Interior Affairs-Iraq (DoIA) *Command Brief*, March 2008, Slide 9; and GAO, "DOD Assessment of Iraqi Security Forces' Units as Independent Not Clear Because ISF Support Capabilities Are Not Fully Developed," (GAO-08-143R, November 30, 2007).

361. MNSTC-I, response to SIGIR data call, April 12, 2008.

362. MNSTC-I, response to SIGIR data call, April 12, 2008.

363. MNSTC-I, response to SIGIR data call, April 12, 2008.

364. MNSTC-I, response to SIGIR data call, April 12, 2008.

365. MNC-I, response to SIGIR data call, April 5, 2008.

366. MNF-I, response to SIGIR data call, January 10, 2008.

367. MNF-I, response to SIGIR data call, January 10, 2008; MNC-I, response to SIGIR data call, April 5, 2008.

368. MNC-I, response to SIGIR data call, April 5, 2008.

369. MNF-I, response to SIGIR data call, April 5, 2008.

370. DoD, *Measuring Security and Stability in Iraq*, December 2007, p. 27.

371. Charts to accompany the testimony of General David H. Petraeus; Commander, Multi-National Force-Iraq; "Report to Congress on the Situation in Iraq;" April 8–9, 2008; slide 10, "Provincial Iraqi Control."

372. MNC-I and SPA Intel, response to SIGIR data call, April 4, 2008.

373. DoD, *Measuring Security and Stability in Iraq,* March 2008, pp. 29-30.

374. Charts to accompany the testimony of General David H. Petraeus; Commander, Multi-National Force-Iraq; "Report to Congress on the Situation in Iraq;" April 8–9, 2008; slide 10, "Provincial Iraqi Control."

375. MNF-I, response to SIGIR data call, April 5, 2008.

376. MNF-I, response to SIGIR data call, January 10, 2008; MNC-I, response to SIGIR data call, April 5, 2008.

377. MNF-I, response to SIGIR data call, April 5, 2008.

378. MNF-I, response to SIGIR data call, April 5, 2008.

379. MNF-I, response to SIGIR data call, April 5, 2008.

380. MNF-I and MNC-I, responses to SIGIR data call, April 5, 2008.

381. MNC-I, response to SIGIR data call, December 25, 2007.

382. MNC-I, response to SIGIR data call, December 25, 2007.

383. MNF-I, response to SIGIR data call, April 9, 2008.

384. MNC-I, response to SIGIR data call, December 25, 2007.

385. MNC-I, response to SIGIR data call, April 16, 2008.

386. OSD-Policy, response to SIGIR data call, April 15, 2008.

387. General David H. Petraeus; Commander, Multi-National Force-Iraq; "Report to Congress on the Situation in Iraq;" April 8, 2008; p. 5; SIGIR, *Quarterly Report to the United States Congress,* January 30, 2008, p. 38.

388. MNF-I, response to SIGIR data call, April 9, 2008.

389. MNF-I, response to SIGIR data call, April 9, 2008.

390. MNC-I, response to SIGIR data call, December 25, 2007, and April 16, 2008.

391. Charts to accompany the testimony of General David H. Petraeus; Commander, Multi-National Force-Iraq; "Report to Congress on the Situation in Iraq;" April 8–9, 2008; slide 6, "Sons of Iraq: Concerned Local Citizens."

392. MNC-I, response to SIGIR data call, April 16, 2008.

393. MNC-I, response to SIGIR data call, December 25, 2007.

394. DoD, *Measuring Security and Stability in Iraq*, March 2008, p. 18.

395. MNF-I reported that, in general, the Sons of Iraq program, along with other factors, directly contributed to these gains: average monthly reductions in civilian (-1800), ISF (-200) and Coalition forces (-50) deaths; up-armored vehicle losses (-55); and vehicle replacement costs (-$11M). Vehicle replacement costs savings alone account for 75% of the monthly cost of Sons of Iraq contracts. Source: MNF-I, response to SIGIR data call, April 5, 2008.

396. General David H. Petraeus; Commander, Multi-National Force-Iraq; "Report to Congress on the Situation in Iraq: Accompanying Charts," April 8, 2008, slide 5.

397. MNF-I, response to SIGIR data call, April 5, 2008.

398. More than 4,300 members of the Sons of Iraq (formerly the Concerned Local Citizens) were funded by Coalition forces, and 224 transitioned into GoI funded programs. Source: MNF-I and MNC-I, responses to SIGIR data call, April 5, 2008.

399. OSD-Policy, response to SIGIR data call, April 15, 2008.

400. MNF-I and MNC-I, responses to SIGIR data call, April 5, 2008. In a slightly different construction, on April 9, 2008, the Commander, MNF-I, noted that 8,241 members of the Sons of Iraq had "transitioned" to the ISF.

401. IMF, "Iraq Makes Progress on Economic Front," February 13, 2008, www.imf.org.

402. DoS, *Iraq Weekly Status Report*, April 2, 2008, p. 20.

403. DoS, *Iraq Weekly Status Report*, April 16, 2008, p. 20. The *Weekly Status Report* does not indicate an annualized projection. The $70 billion figure is from SIGIR analysis of data provided in the *Weekly Status Report*.

404. NEA-I, response to SIGIR data call, April 16, 2007.

405. IMF, "Iraq Makes Progress on Economic Front," February 13, 2008, www.imf.org.

406. IMF, "Iraq Makes Progress on Economic Front," February 13, 2008, www.imf.org.

407. IMF, "Iraq Makes Progress on Economic Front," February 13, 2008, www.imf.org.

408. Ambassador Ryan C. Crocker, "Testimony Before the Senate Armed Services Committee," April 8, 2008.

409. CIA, "The World Fact Book: Iraq," March 6, 2008, www.cia.gov/library/publications/the-world-factbook/geos/iz.html.

410. IMF, "Transcript of a conference call: Report on Iraq's Request for New Stand-by Arrangement," January 16, 2008.

411. U.S. Treasury, response to SIGIR data call, April 15, 2008. Inflation rates are measured by comparing the consumer price index during the same month, year to year.

412. IMF, "Transcript of a conference call: Report on Iraq's Request for New Stand-by Arrangement," January 16, 2008.

413. CBI, "Documentation of key financial indicators April 26, 2006," www.cbiraq.org. Interest rate source: CBI, "Policy Rate," April 1, 2008, www.cbiraq.org/cbs6.htm.

414. U.S. Treasury, response to SIGIR data call, April 5, 2008. The U.S. Treasury noted that the interest rate transmission mechanism in Iraq is very weak, and interest rates have little economic effect.

415. U.S. Treasury, response to SIGIR data call, April 15, 2008.

416. CBI, "Exchange Rate," April 1, 2008, www.cbiraq.org/cbs6.htm.

417. U.S. Treasury, response to SIGIR data call, April 15, 2008.

418. *International Compact with Iraq*, 2007, p. 18, www.iraqcompact.org.

419. DoD, *Measuring Stability and Security in Iraq*, December 14, 2007, p. 10.

420. U.S. Treasury, response to SIGIR data call, April 5, 2008.

421. U.S. Treasury, response to SIGIR data call, April 5, 2008.

422. JCC-I/A, responses to SIGIR data calls, January 4, 2008, and April 5, 2008. JCC-I/A reported that nearly $2.46 billion had been awarded to Iraqi First vendors through December 2007. Source: JCC-I/A, response to SIGIR data call, December 31, 2007.

423. MNF-I, response to SIGIR data call, April 12, 2008.

424. GRD, response to SIGIR data call, April 15, 2008.

425. USAID OIG Audit E-267-08-001-P, "Audit of USAID/Iraq's Community Stabilization Program," March 18, 2008, p. 6.

426. USAID OIG Audit E-267-08-001-P, "Audit of USAID/Iraq's Community Stabilization Program," March 18, 2008, p. 6.

427. ITAO, *Oil Export, Production, and Import Spreadsheet*, April 10, 2008. NEA-I, response to SIGIR data call, April 16, 2008, noted that ITAO's oil data for Iraq

differs from NEA-I data for production, exports, and refined fuels.

428. ITAO, *Essential Indicators Report*, April 3, 2008.

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Sources for the graphics shown in the insert to this Report:

a. **Province Population:** UNOCHA, "Iraq – Population by Governorate," November 19, 2007, www.ochaonline.un.org/iraq/MapCentre.

b. **PIC Status:** DoD, *Measuring Security and Stability in Iraq*; December 2006, March 2007, June 2007, September 2007, December 2007; General David H. Petraeus, Commander, Multi-National Force-Iraq; "Report to Congress on the Situation in Iraq;" April 8, 2008.

c. **Number of Trained Police:** Directorate of Interior Affairs, "IPS Force Generation Update," March 2008.
    Average Daily Executed Attacks by Province: MNF-I SPA Assessments, December 1, 2007–February 22, 2008. SIGACTS III Database (Coalition Reports only) as of February 23, 2008. Data reflects executed enemy attacks targeted against coalition, ISF, civilians, Iraqi infrastructure, and government organizations. Does not include IEDs and mines found and cleared.

d. **GOI 2007 Capital Budget:** U.S. Treasury, response to SIGIR data call, April 3, 2008.

e. **CERP:** IRMS, *MNC-I Quarterly Report*, March 30, 2008.

f. **PRDC FY06 and FY07 ESF Allocated:** ITAO, response to SIGIR data call, April 3, 2008.

g. **Electricity:** ITAO, *Electric Daily Units Performance Report*, April 19, 2008.

h. **Five Years of Reconstruction Funding:** SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, March 2004 through January 2008; USAID, response to SIGIR data call, April 8, 2008; GRD, response to SIGIR data call, April 2, 2008; Treasury, response to SIGIR data call, April 3, 2008; USTDA, response to SIGIR data call, April 3, 2008; DoS response to SIGIR data call, April 5, 2007; WHS, response to SIGIR data call, April 1, 2008; DFAS response to SIGIR data call, April 10, 2008; DoS, *Iraq Weekly Status*, March 26, 2008; ITAO, response to SIGIR data call, January 4, 2008; GRD, response to SIGIR data call, April 3, 2008; USAID, response to SIGIR data call, April 14, 2008; ITAO, *Essential Indicators Report*, March 27, 2008; MNC-I, response to SIGIR data call, April 9, 2008.
    Completed Projects: IRMS, *ITAO Rollup*, March 28, 2008; IRMS, *CERP Excel Workbook*, April 1, 2008; USAID, *Activities Report*, April 14, 2008. Financial data includes obligations and expenditures from the IRRF 1, IRRF 2, ISFF, ESF, CERP, and INL. Project data includes projects from the IRRF 2, ISFF, ESF, and CERP.

i. **Five Years of Iraqi Oil Revenue:** DoS, *Iraq Weekly Status Report*, January 4, 2006; DoS, *Iraq Weekly Status Report*, April 3, 2008; Oil Exports: ITAO, *Monthly Import*, *Production and Export Spreadsheet*, April 2008. NEA-I, response to SIGIR data call, April 16, 2008, noted that ITAO's oil data for Iraq differs from NEA-I data; Oil Price: U.S. Energy Information Administration, "World Crude Oil Prices: OPEC Average," April 11, 2008. Iraq does not receive the OPEC average for its oil. NEA-I, response to SIGIR data call, April 16, 2008.

j. **U.S. Security Obligation:** SIGIR, *Quarterly and Semiannual Reports to the United States Congress*, March 2004 through January 2008; MNSTC-I,

response to SIGIR data call, April 17, 2008; DoS, *Iraq Weekly Status*, March 26, 2008; ITAO, response to SIGIR data call, April 1, 2008; GRD, response to SIGIR data call, April 3, 2008; USAID, response to SIGIR data call, April 14, 2008; ITAO, *Essential Indicators Report*, March 27, 2008; MNC-I, response to SIGIR data call, April 9, 2008.

Includes figures from the IRRF 2, ISFF, ESF, and CERP. See Appendix D for a sector cross-reference to Security.

GOI Security Budget: Iraqi Ministry of Finance, and Ministry of Planning and Development, Revisions to 2004 Budget; The State General Budget for 2005; GOI 2006 Budget; 2008 Iraqi Federal Budget; 2008 Operating and Investment Budget by Ministry 2007-2008

k. **Five Years of Iraqi Troop Training:** DoD, *Measuring Security and Stability in Iraq*; July 2005, October 2005, February 2006, May 2006, August 2006, November 2006, March 2007, June 2007, September 2007, December 2007, March 2007; **Weekly Security Incidents**: General David H. Petraeus, Commander, Multi-National Force-Iraq; "Report to Congress on the Situation in Iraq;" April 8, 2008.

ACRONYMS AND DEFINITIONS

This section contains all of the abbreviations and acronyms found in the SIGIR Quarterly and Semiannual Report to the Congress.

ACRONYM	DEFINITION
ABOT	Al Basrah Oil Terminal
ACWG	Anticorruption Working Group
ARTWG	Asset Recognition and Transfer Working Group
AT	Advisory Team
AWOL	Absent Without Leave
BCT	Brigade Combat Team
BIAP	Baghdad International Airport
BSA	Board of Supreme Audit
BSH	Basrah Regional Airport
CAATT	Coalition Army Advisory Training Team
CAP	Community Action Program
CAPS	Commercial Accounts Payable System
CBI	Central Bank of Iraq
CCC-I	Central Criminal Court of Iraq
CD	Capacity Development
CDG	Community Development Group
CENTCOM	U.S. Central Command
CERP	Commander's Emergency Response Program
CFAR	Contingency FAR
CFLCC	Coalition Forces Land Component Command
CHRRP	Commanders Humanitarian Relief and Reconstruction Fund
CID-MPFU	U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit
CLFCC	Coalition Forces Land Component Command
CMATT	Coalition Military Assistance Training Team
COFE	Committee of Financial Experts
CoI	Commission on Integrity (previously known as Commission on Public Integrity)
CoM	Council of Ministers
Compact	International Compact with Iraq
CoR	Council of Representatives
CPA	Coalition Provisional Authority
CPATT	Civilian Police Assistance Training Team
CSP	Community Stabilization Program
CY	Calendar Year
DAD	Development Assistance Database
DBE	Department of Border Enforcement
DCAA	Defense Contract Audit Agency
DCIS	Defense Criminal Investigative Service

DFAS	Defense Finance and Accounting Service
DFI	Development Fund for Iraq
DoD	Department of Defense
DoD OIG	Department of Defense Office of Inspector General
DoJ	Department of Justice
DoS	Department of State
DoS OIG	Department of State Office of Inspector General
EC	European Commission
EFT	Electronic Funds Transfer
ePRT	Embedded Provincial Reconstruction Team
ESF	Economic Support Fund
FBI	Federal Bureau of Investigation
FMIS	Financial Management Information System
FMR	Financial Management Regulation
FMS	Foreign Military Sales
FOB	Forward Operating Base
FOGC	Federal Oil and Gas Council
FY	Fiscal Year
GAO	Government Accountability Office
GDP	Gross Domestic Product
GEO	Governorate Electoral Office
GOI	Government of Iraq
GRD	Gulf Region Division
GRN	Gulf Region North
GWOT	Global War on Terror
HDD	Horizontal Directional Drilling
HEAD	Higher Education and Development
HJC	Higher Juridical Council
IA	Interagency Agreement
IAER	Iraq Agricultural Extension Revitalization
IAMB	International Advisory and Monitoring Board
ICBG	Iraqi Company for Bank Guarantees
ICCTF	International Contract Corruption Task Force
ICE	Immigration and Customs Enforcement
ICITAP	International Criminal Investigative Training Assistance Program
ICO	Iraqi Correctional Officers
ICS	Iraqi Corrections Services
IDA	International Development Association (World Bank)
IDP	Internally Displaced Person
IFMIS	Iraq Financial Management Information System
IG	Inspector General
IIGC	Iraq Inspectors General Council
IHEC	Independent High Electoral Commission

IHT	Iraqi High Tribunal
IJIP	Iraq Justice Integration Project
IMET	International Military and Education Training
IMF	International Monetary Fund
INCLE	International Narcotics Control and Law Enforcement Fund (INL)
INCTF	Iraqi National Counter-Terrorism Force
INL	Bureau of International Narcotics and Law Enforcement Affairs (DoS)
IOM	International Organization for Migration
IPA	International Police Advisor
IPS	Iraqi Police Service
IPTP	Iraqi Police Training Program
IRFFI	International Reconstruction Fund Facility for Iraq
IRMS	Iraq Reconstruction Management System
IRR	Iraq Republic Railway
IRRF	Iraq Relief and Reconstruction Fund
IRRF 1	Iraq Relief and Reconstruction Fund
IRRF 2	Iraq Relief and Reconstruction Fund
IRS-CI	Internal Revenue Service, Criminal Investigation
ISF	Iraqi Security Forces
ISFF	Iraq Security Forces Fund
ISP	Infrastructure Security Protection
ISX	Iraq Stock Exchange
ITAO	Iraq Transition Assistance Office
JASG-I	Joint Area Support Group-Iraq
JCC-I/A	Joint Contracting Command-Iraq/Afghanistan
JEDI	Judicial Education and Development Institute
JHQ-AT	Joint Headquarter-Advisory Team
JPS	Judicial Protection Service
JROC	Joint Reconstruction Operations Center
KBR	Kellogg Brown and Root Services, Inc.
km	Kilometer
KRG	Kurdistan Regional Government
kV	Kilovolt
LADP	Local Area Development Programme
LGP	Local Governance Program
LOGCAP	Logistics Civil Augmentation Program
MAAWS	Money as a Weapon System
MBPD	Million Barrels Per Day
MCC	Major Crimes Court
MCTF	Major Crimes Task Force
MDHU	Modular Detainee Housing Unit
MET	Ministerial Engagement Team
METSI	Middle East Transition Support Initiative
MMPW	Ministry of Municipalities and Public Works
MNC-I	Multi-National Corps-Iraq

MND	Multi-National Division
MND-NE	Multi-National Division-Northeast
MNF-I	Multi-National Force-Iraq
MNSTC-I	Multi-National Security Transition Command-Iraq
MOD	Ministry of Defense
MoDM	Ministry of Displacement and Migration
MOE	Ministry of Electricity
MOF	Ministry of Finance
MOI	Ministry of Interior
MOU	Memorandum of Understanding
MTOE	Modified Table of Organization and Equipment
MW	Megawatt
MWh	Megawatt-hour
NADR	Nonproliferation, Anti-terrorism, Demining and Related Programs
NCD	National Capacity Development
NCO	Non-commissioned Officer
NDAA	National Defense Authorization Act for Fiscal Year 2008
NEA-I	Bureau of Near Eastern Affairs-Iraq (DoS)
NFI	Non-food Item
NGO	Non-governmental Organization
NP	National Police
NRRRF	Natural Resources Risk Remediation Fund
O&M	Operations and Maintenance
OMB	Office of Management and Budget
OPA	Office of Provincial Affairs
ORHA	Office of Reconstruction and Humanitarian Assistance
OTI	Office of Transition Initiatives
PC	Provincial Council
PCO	Project and Contracting Office
PEG	Provincial Economic Growth
PEZ	Pipeline Exclusion Zone
PHC	Primary Healthcare Center
PIC	Provincial Iraqi Control
P.L.	Public Law
PM	Prime Minister
PRDC	Provincial Reconstruction Development Council
PRT	Provincial Reconstruction Team
PST	Provincial Support Team
QA	Quality Assurance
QC	Quality Control
QM	Quality Management

QRF	Quick Response Fund
RCC	Regional Contract Command
RCT	Regimental Combat Team
RIE	Restore Iraq Electricity
RIO	Restore Iraq Oil
RLA	Resident Legal Advisor
ROK	Republic of Korea
RO-RO	Roll On-Roll Off
RTI	Research Triangle Institute
SBA	Stand-By Arrangement (IMF)
SCADA	Supervisory Control and Data Acquisition
S/CRS	Department of State Office of the Coordinator for Reconstruction and Stabilization
SIGAR	Special Inspector General for Afghanistan Reconstruction
SIGIR	Special Inspector General for Iraq Reconstruction
SOC	South Oil Company
SOP	Standard Operating Procedures
TAL	Transitional Administrative Law
TDP	Targeted Development Program
TFBSO	Task Force to Improve Business and Stability Operations
TIFRIC	Theater Internment Facility Reintegration Center
Treasury	U.S. Department of Treasury
UEPS	Universal Electronic Payment System
UK	United Kingdom
UN	United Nations
UNAMI	UN Assistance Mission for Iraq
UNCAC	UN Convention Against Corruption
UNDG	United Nations Development Group
UNDG ITF	United Nations Development Group Iraq Trust Fund
UNDP	United Nations Development Programme
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNSCR	United Nations Security Council Resolution
USAAA	U.S. Army Audit Agency
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USAID OIG	U.S. Agency for International Development Office of Inspector General
USIP	U.S. Institute of Peace
USTDA	U.S. Trade and Development Agency
WHO	World Health Organization